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|---|---|---|---|---|---|
| Austria | Sch24 | Indonesia | Rp3100 | Philippines | Pso40 |
| Bahrain | [illegible] | Iran | Rls210 | Portugal | Es150 |
| Belgium | BFr55 | Israel | Shk3.50 | Qatar | QR9.50 |
| Cyprus | C£0.90 | Italy | L2000 | S.Arabia | SR7.00 |
| Denmark | DKr12.00 | Jordan | Fils1000 | Singapore | S$4.10 |
| Egypt | E£2.25 | Kuwait | Fils.500 | Spain | Pta165 |
| Finland | FM8.50 | Lebanon | L£400.00 | Sweden | SKr12 |
| France | FFr7.50 | Lux | LFr55 | Switz | SFr2.50 |
| Germany | DM2.20 | Malaysia | Rin4.25 | Thailand | Bht50 |
| Greece | Dr150 | Morocco | Dh6.00 | Tunisia | Din0.800 |
| Hong Kong | HK$12 | Neth | Fl3.25 | Turkey | L1400 |
| Hungary | Ft107 | Nigeria | Naira10 | UAE | Dh7.00 |
| Iceland | IKr160 | Norway | NKr12.00 | | |
| India | Rs15 | Oman | OR1 | | |

EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

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Friday March 23 1990

D 8523A

**TAIWAN**

**Students change the face of politics**

Page 8

## World News

### Semtex hoard 'could last terrorists 150 years'

President Vaclav Havel of Czechoslovakia said during a visit to London that his predecessors in Prague had exported enough Semtex explosive to last terrorists for 150 years. Page 24

**Colombian murder**

Bernardo Jaramillo, the main left-wing candidate in Colombia's presidential election, was assassinated by an unknown gunman at Bogotá airport. Page 6

**Kosovo violence**

Ethnic Albanians attacked Serbs and Montenegrins in Yugoslavia's Kosovo province after 200 ethnic Albanian children were taken to hospital with suspected food poisoning.

**Hungary halts flights**

Hungary has halted charter flights carrying Soviet Jews to Israel because of a bomb threat by the Islamic Jihad group.

**Leipzig train crash**

An inter-city express from Dresden ploughed into a train halted at a station near Leipzig, killing one passenger and injuring about 50 others.

**Cuba envoy expelled**

Panama said it was expelling Cuba's ambassador, charging that Havana had refused to recognise the new government of President Guillermo Endara.

**Kabul rejects offer**

President Najibullah of Afghanistan rejected a Soviet offer of help in putting down the recent failed coup led by his Defence Minister.

**Nato breakthrough**

Manfred Wörner, Nato Secretary-General, will visit Moscow, Prague and Warsaw in the first trip by a secretary-general of the Western alliance to Warsaw Pact capitals. Page 2

**Mitterrand's choice**

President François Mitterrand would like Prime Minister Michel Rocard to lead the ruling Socialist Party into the 1993 general election, the daily Libération reported.

**Chemicals charge**

A West German businessman was charged in Mannheim with breaking export laws by helping to build Libya's controversial Rabta chemical plant.

**Baker unwelcome**

US Secretary of State James Baker arrived in South Africa only to be told by prominent black leaders that he should not have gone. Page 8

**Coalition setback**

The Netherlands fledgling centre-left government came under strain after the coalition Labour Party suffered heavy losses in nationwide local elections. Page 3

**Monks seek liberty**

Mongolia's Buddhist monks have begun a campaign for new religious freedoms.

**Spanish clashes**

Police in Madrid and Barcelona clashed with striking high school and university students, who are demanding education reforms.

## Business Summary

### Japanese to challenge international card market

JCB, Japan's largest plastic card issuer, is to challenge the big international cards later this year by competing for personal customers in the UK, France and North America.

The move, aimed at establishing JCB alongside other main international card payment systems by the end of the 1990s, is potentially the largest move yet by the Japanese into the international retail financial services market. Page 24

GUINNESS, international drinks group, reported a 33 per cent increase in pre-tax profits to £691m ($432m) for 1989, more than 80 per cent from outside the UK. Page 25

LVMH, leading French drinks and luxury products group, reported net profits of FFr2.93bn ($510m), up 46 per cent from the previous year.

BRITAIN'S trade performance improved giving a boost to sterling and the stock market and restoring some confidence after losses following Tuesday's budget. Page 24

TRADE between East and West Germany increased in February. West-East exports climbed 4 per cent to DM589m ($346m) from DM568m a year earlier, and were up 10 per cent in the two-month January-February period from 1989 levels.

MORGAN GRENFELL, UK merchant bank, ended its final year as an independent group with a strong recovery, announcing pre-tax profit of £54.3m ($34m) for calendar 1989, up 57 per cent from the year before. Page 33

KPMG, international accounting and consultancy group, rebuked attempts by Italy's Banca Populare di Milano to freeze the assets of KPMG Peat Marwick Fides, its Italian partnership. Page 28

JAPANESE aircraft manufacturers denied reports they might pull out of Boeing's programme to develop the 767X twin-engine airliner. Page 4

MITSUBISHI Kasei, affiliate of the Japanese electronics company, is to pay Eastman Kodak, US chemicals group, between Y30bn ($195m) and Y40bn for Verbatim Corporation, manufacturer of computer peripherals. Page 25

SOCIETE DES BOURSES Françaises, responsible for running French stock exchanges, returned to profitability in 1989, with a net profit of FFr166.3m ($298m), compared with a loss of FFr509.8m a year earlier.

SWISS industrial production grew by 2 per cent in 1989 after expanding by 7 per cent in 1988, with output in the final quarter of 1989 down by 3 per cent compared with the corresponding 1988 quarter.

FRANCE is considering raising prices of tobacco products by about 15 per cent.

SOUTH KOREA has resolved a dispute with the US over beef imports, averting possible trade sanctions from Washington. Page 4

US Congressional proposals aimed at increasing taxes paid by foreign companies are discriminatory against Britain, according to the UK Government. Page 6

# Moscow sends legal team to Lithuania to enforce law

By Mark Nicholson in Moscow and Peter Riddell in Washington

MOSCOW yesterday sent a team of prosecutors to Lithuania to enforce President Mikhail Gorbachev's crackdown on the breakaway republic.

KGB security troops also reinforced border posts on Thursday along the international frontiers of the rebel Baltic republic, which earlier this month declared independence from the Soviet Union, Tass news agency reported.

The official Soviet news agency said the KGB frontier troops were assisting customs officials in fulfilling a decree issued on Wednesday by President Gorbachev to put pressure on the Lithuanians to reverse their decision.

But leaders of Lithuania's parliament rejected as an illegitimate breach of sovereignty Mr Gorbachev's tough measures calling for all weapons in the Baltic republic to be handed over. Some weapons were already being surrendered to the Soviet authorities yesterday.

As the war of nerves over the republic's declared independence intensified, a team of 11 from the Soviet Prosecutors' Office in Moscow flew to Vilnius, the Lithuanian capital. Tass said they had demanded that their law enforcement colleagues in Lithuania "act to protect the rights and interests of local people and crack down on those provoking ethnic strife and flouting national interests."

The prosecutors called for strict observance of Soviet law in the republic and claimed that Lithuanian residents had complained of "insulting" behaviour towards the Soviet army and institutions.

Mrs Kazimiera Pruskiene, Lithuania's Prime Minister, sent a message to the Soviet leader described the decree ordering the surrender of weapons and a tightening of border and immigration controls as interference in the affairs of a sovereign state. She called for talks with Mr Gorbachev over the measures.

The appeal for talks was echoed by President George Bush in Washington. In an impromptu White House press conference, Mr Bush said he was convinced the answer was "peaceful discussion between the parties. It is very important that force not be used, but I believe that they can talk and work out these problems."

He took a markedly conciliatory approach towards the latest warnings by Moscow to Lithuania, declining to express any criticism of President Gorbachev or to speculate on what might happen if force was used.

"We do not recognise the incorporation of Lithuania into the Soviet Union. However, there are certain realities in life. Lithuanians are well aware of them and they should talk, as they are, to the Soviet officials about these differences," he said.

In Moscow, Mr Gennady Gerasimov, the Soviet spokesman, justified the measures as "preemptive steps in a situation characterised by tension."

However, he said Moscow ruled out using force in the republic. "There is no possibility of military intervention at all," he said. "We are trying to build a law-based state, but the people in Vilnius are not law-abiding."

The head of Lithuania's civil defence agency, General Ginutis Taurinskas, conceded to an angry session of the parliament that he had begun to comply with an order from Moscow to hand over weapons and vehicles in his command.

Editorial comment, Page 22

# Tokyo authorities seek to stem sharp market falls

By Stefan Wagstyl and Michiyo Nakamoto in Tokyo

THE prolonged turmoil in the Japanese financial markets yesterday drove some investors to panic as stocks, bonds and the yen swung around wildly in morning trading.

The Japanese authorities later restored stability by intervening heavily in the bond and currency markets and encouraging Japanese institutions to buy equities. But The Nikkei index of leading stocks closed below 30,000 for the first time since December 1988 – down 963.85 at 29,843.34.

Fund managers remained very uncertain about the outlook as the day's events began to take a toll of equity markets in the US.

In Japan the day started with waves of selling of equities, the currency and bonds triggered by a belief that Tuesday's decision by the Bank of Japan to raise the official discount rate had come too late to inspire confidence in the conduct of monetary policy.

Scores of stocks failed to start trading for most of the morning, as they fell by the maximum daily limit without attracting buyers. The Nikkei index plunged 1,970 points to 28,830.37 before stabilising in the last minutes before the lunch break and ending the morning down 1,836 points.

Meanwhile, the yen had fallen below the level of 155 to the US dollar for the first time in more than three years and hit Y155.45. Bond prices also fell sharply.

But the central bank succeeded in propping up the yen, buying an estimated $1.2bn of the currency, which ended the day at Y154.83, down Y1.18.

The Ministry of Finance bought Y100bn of government bonds to support bond prices, in the sixth such operation this year. The yield on the benchmark government bond, which touched 7.460 per cent in the morning, was 7.250 per cent by the close, its low for the day.

Life insurance companies and large Japanese stockbroking companies bought equities in a move which foreign traders said appeared to be co-ordinated.

Mr Yasushi Mieno, the Governor of the Bank of Japan, told a Diet (parliamentary) committee that the rise in the official discount rate would affect the market in time.

Mr Hashimoto is due to leave for the US today for talks with Mr Nicholas Brady, US Treasury Secretary, on matters including financial markets instability.

The Japanese authorities will probably continue considering ways of supporting the markets through bureaucratic action. The Nihon Keizai Shimbun, Japan's leading business daily newspaper, said the Finance Ministry was ready to relax temporarily a rule it introduced last year limiting a broker's share of the turnover in any one stock to 30 per cent.

Janet Bush in New York writes: US shares dropped sharply on concern about the fragility of the Japanese market, leaving the Dow Jones Industrial Average 23.20 points lower at 2,704.73 at midsession. In contrast, US Treasury bonds registered sharp gains, reflecting the strength of the dollar as well as a flight to quality by Japanese investors rattled by the turmoil in their home markets. At midsession the benchmark long bond was quoted $\frac{13}{32}$ higher to yield 8.42 per cent.

Reports and analysis, Page 7; Lex Page 24; Markets, Second Section

Dealers strive to reach the trading counter as prices plunge on the Tokyo stock exchange yesterday

# Japanese retailer to buy control of 7-Eleven group

By Robert Thomson in Tokyo and Anatole Kaletsky in New York

ITO-YOKADO, a large Japanese retailing group, has agreed to pay $400m for a 75 per cent stake in the troubled Texas-based Southland, which runs the 7-Eleven convenience store chain in the US.

The Tokyo company and 7-Eleven Japan, its subsidiary, said last night that they would immediately send five or six directors to sit on the Southland board to prepare a financial restructuring package and, if the deal is accepted by the US company's creditors, to oversee the $400m purchase.

Mr Toshifumi Suzuki, president of 7-Eleven Japan and vice president of Ito-Yokado, said there was an "80 per cent chance" that the restructuring plan would be approved and that the investment would proceed.

There are fears in Japan that the purchase will stir debate about Japanese acquisitions in the US, but Ito-Yokado executives were confident last night that it would be obvious to a sometimes hostile US Congress that the stricken Southland sought the investment.

The terms offered by Ito-Yokado would lock in big losses not only for Southland's bondholders, but also for the founding Thompson family which took the company private in 1987. The Thompsons, led by Mr John Thompson, the company's present chairman, would see their 85 per cent equity control of Southland diluted to about 13 per cent.

Holders of Southland bonds would have to accept new zero-coupon securities likely to be valued between 15 and 40 cents on the dollar. But Southland's junk bond prices had already fallen into this range during the past few months. As a result, speculators who recently acquired the company's bonds might reap substantial profits from the Japanese bid.

Analysts on Wall Street therefore predicted that Ito-Yokado's terms would be accepted, perhaps with minor amendments, by the required 95 per cent majorities of each group of bondholders.

In addition to various new zero-coupon bonds, Southland's present bondholders would be offered about 10 per cent of the equity in the restructured company.

The proposed sale would resolve a long and costly series of problems which started with the Thompson family's decision to take their company private through a leveraged buy-out in 1987. Southland had been seen as a prime candidate for hostile takeover bids and corporate raiders, and the family's decision to take it private was seen mainly as a defensive measure.

The Thompsons paid $5.1bn for Southland in August 1987 but were forced to revise their financing plans repeatedly after the the US junk bond market collapsed. Eventually, the company lined up $1.8bn of long-term bond financing to add to almost $3bn of bank borrowings, but the cost of this new debt proved far higher than originally estimated.

This debt burden in turn

Continued on Page 24

Lesson in store, Page 27

# Legal ruling may disrupt US savings and loan rescue plan

By Peter Riddell, US Editor, in Washington

THE FEDERAL rescue of the US savings and loan industry has run into serious legal problems which could disrupt the entire reorganisation programme.

A federal judge has ruled that the appointment of the top regulator, the Director of the Office of Thrift Supervision (OTS), was unconstitutional because he was not confirmed by the Senate and therefore his actions were invalid.

The Administration is seeking an immediate appeal on the grounds that the ruling presents a "grave risk" to the operations of the regulators, and other similar legal challenges are pending.

The decision specifically bars the OTS from taking control of Olympic Federal Savings of Illinois.

This might, in theory, affect the federal takeover since last August of 137 savings and loans or thrifts with $97bn in assets.

However, Administration lawyers interpret the ruling as not affecting previously seized thrifts, but only prospective actions by regulators. Nonetheless, this could still prevent, for the time being, a large number of pending federal takeovers of thrifts which are insolvent or cannot meet new capital standards.

One congressman has estimated the cost at an additional $100m.

The issue arises out of a deal done last summer when the rescue legislation was going through Congress. Supporters of Mr Danny Wall, who was then chief regulator, wanted to avoid potential embarassing Senate confirmation hearings and devised a scheme to appoint him as head of the new OTS without the usual procedures.

Mr Wall announced his resignation last December after strong criticism of his handling of the collapse of Mr Charles Keating's Lincoln group.

Judge Royce Lambreth ruled that both Mr Wall and Mr Salvatore Marthoche, named Acting Director earlier this month, were not appointed properly under the consitution which requires senior officials to be approved by the Senate under the advise and consent procedure.

The judge acknowledged that his ruling "may lead to a great deal of litigation and place OTS operations in some confusion." But he said that the clear violation of the plaintiff's constitutional rights and the public's interst in protecting the constitution "outweigh these harms to the public interest."

There will now be pressure on President George Bush to name quickly a new head for the OTS and to seek rapid Senate confirmation.

The Treasury has proposed Mr Timothy Ryan, a former senior lawyer at the Department of Labour.

This confusion comes as Mr William Seidman, chairman of the Resolution Trust Corporation which handles the rescues, has announced a speeding up of the pace of the takeovers and disposals.

He expects 140 of the 350 thrifts held by his corporation to be sold by June 30.

**Weekend FT**

**Kevin Brown** braves boiling heat, freezing cold, British Rail catering, Serbo-Croat guards and the Gorgon in a trial by train travel across Europe and back.

**FT writers dissect**


UK Chancellor John Major's budget for savers and givers

## CONTENTS



**Racial tensions strain the fabric of Florence**

Mr Giorgio Morales, mayor of Florence, admits the eyes of the world are on the city. But many Florentines believe the authorities are to blame for not tackling the issue of social tension earlier. Page 3

## MARKETS

**STERLING**
New York lunchtime:
$1.6047
London:
$1.6015 (1.5945)
DM2.7225 (2.7225)
FFr9.2050 (9.185)
SFr2.425 (2.425)
Y248 25 (245.75)
£ index 85.8 (85.5)

**GOLD**
New York: Comex Apr
$394.05
London:
$393.0 (391.75)

**N SEA OIL** (Argus)
Brent 15-day May
$18.225 (18.175)

Chief price changes yesterday: Page 25

**DOLLAR**
New York lunchtime:
DM1.7015
FFr5.7385
SFr1.5085
Y156.125
London:
DM1.7050 (1.7075)
FFr5.7475 (5.78)
SFr1.5145 (1.521)
Y155.05 (154.15)
$ index 68.8 (68.6)
Tokyo close: Y154.85

**US lunchtime rates**
Fed Funds $8\frac{3}{16}$%
3-mo Treasury Bills:
yield: 8.152%
Long Bond:
$100\frac{13}{32}$
yield: 8.481%

**STOCK INDICES**
FT-SE 100:
2,258.9 (+8.6)
FT Ordinary:
1,779.1 (+7.7)
FT-A All-Share:
1,118.90 (+0.3%)
New York lunchtime:
DJ Ind. Av.
2,690.54
S&P Comp
336.37
Tokyo: Nikkei
29,843.34 (-963.85)

**LONDON MONEY**
3-month Interbank
closing $15\frac{7}{16}$ (same)
Liffe long gilt future:
June $80\frac{1}{32}$ ($80\frac{3}{8}$)

# EUROPEAN NEWS

## Hungary's workers resigned to their fate

**By Nicholas Denton in Budapest**

WHOEVER wins Hungary's forthcoming elections, it will not be the workers, because they have no one to vote for.

They are sceptical of the implausible claims of the main opposition parties to represent them and reluctant to forgive the two offshoots of the old ruling Communist party, which have the pedigree of workers' parties.

Moreover, if Hungarian workers were ever class-conscious, 40 years of Communist rule has put an end to that. Now the industrial working class is divided between those who fear they will lose their jobs and those who are safe or have already planned their escape into other employment.

"All the people here are different and have different interests," says one woman who works at the Budapest factory of Ikarus, the threatened national bus manufacturer.

One of her colleagues, Mr Attila Szado, will vote for the opposition Alliance of Free Democrats, although the party's tough economic programme implies heavy unemployment. "Any loss-making company must be closed," he says. "Anyway, I am sure about my job." He does not worry much about redundancies at Ikarus. "Everybody has in mind another working place, or they are looking."

Another Free Democrat supporter believes that people are afraid but he still echoes the idea that unprofitable companies must close. "There is no alternative. This is the only solution," he says, close to tears.


Few Ikarus workers disagree, and those who do have little hope. "Money can stop the closing of the factory, nothing else," says Mr Laszlo Komar, a young worker. "All of them say that they are the party of the workers. They promise everything, but, when they get into power ... I would stop all the parties. We do not need so many."

The divisions in the Ikarus workforce are reflected geographically and electorally across Hungary. In the eastern counties, where heavy industry is concentrated, there will be a lot of unemployment as the economy is restructured. Redundant workers will have few possibilities of alternative employment in the region.

But the rest of the country may not particularly care. As Mr Laszlo Csaba, an economist of the opposition Bridge group, says: "There is a national constituency for local closures."

In Budapest, stronghold of the radical Free Democrats, workers can find jobs in the expanding service sector and so are amenable to the party's arguments. In the countryside, the base of the Smallholders' Party, the feeling is that large industrial companies have lived off the fat of the land for long enough. The third party likely to do well in the elections, the Hungarian Democratic Forum, regards the middle class as its natural constituency.

## Gloom and doom for the men from the ministry

A SENSE of gloom and doom prevails throughout Hungary's government apparatus as elections approach, writes Judy Dempsey in Budapest. The new government is likely to sweep away the remnants of communist rule

once and for all. That means many officials will voluntarily leave their posts, while others will be replaced. The sense of an uncertain future in the government apparatus is coupled with the fear of revenge by a new government.

The gloom is confirmed by the polls which predict that the Hungarian Socialist (former communist) Party will be lucky to get between 4 and 8 per cent of the seats, despite efforts by some of its leading members to convince the electorate that the party has really shed its communist past.

But one issue unites Hungarian voters. They want to see the back of 40 years of communist rule.

Some credit will go however to Mr Gyula Horn, the Foreign Minister, who last September made the momentous decision of allowing tens of thousands of East Germans to travel unhindered to the West, precipitating the collapse of the Berlin Wall.

Mr Horn, who remains one of the few genuinely popular politicians, is expected to win a seat in Parliament. So is Mr Miklos Nemeth, the Prime Minister, along with some other reform communists. But their role in the first new Hungarian parliament will be marginal.

Many young and old Hungarian Socialist Party (HSP) members in the ministries are pondering their future. Others are packing their bags. "I am going to privatise myself," a senior diplomat said.

He earns 15,000 forints ($380) a month. "With my languages, I could work for a Western bank or firm for three times that amount."

The two main political parties seeking power, the Alliance of Free Democrats and the Hungarian Demcratic Forum, insist that they will not seek revenge for past ills. Few HSP officials believe them. The atmosphere of revenge wafts in the warm breeze in Budapest as a new generation of Hungarians smell power.

## Three-airline link under new attack

**By Lucy Kellaway in Brussels**

PRESSURE ON the European Commission to block or amend the joint venture deal between British Airways, KLM and Sabena increased yesterday following a complaint from a Belgian air charter company that the deal was against the treaty of Rome.

In a letter to Sir Leon Brittan, the Competition Commissioner, Trans European Airways argued that the link between the three airline companies amounted to an illegal cartel, which would allow them to abuse their position.

The deal has already been attacked by British Midland and Air Europe, two small UK airlines, for its anti-competitive implications, and is being seen as a test case of the European Commission's willingness to liberalise the European airlines market.

The Commission said yesterday that it would take all complaints seriously in deciding whether or not to launch a formal enquiry into the link-up of the European airlines.

TEA also complained about the Belgian Government's *recent decision to turn down* its request to fly scheduled services on five European routes. It warned that a new law to be introduced in Belgium would effectively make it impossible for smaller companies to compete against Sabena, and called on Sir Leon to stop what it alleged were violations of EC competition law.

A Commission spokesman said yesterday that any investigation on the question of Belgian air routes could take a long time. Following an agreement reached between member states in December, it will become more difficult for governments to grant exclusive rights to airlines starting from the middle of 1992.

## EC imposes controls on biotechnology companies

**By Tim Dickson in Brussels**

BIOTECHNOLOGY companies in the European Community will be subject to important new controls following the formal adoption of two directives in Brussels by environment ministers yesterday.

The measures introduce regulations – notably an obligation to carry out an environmental risk assessment – for activities where organisms obtained by altering the genetic material of bacteria, plants or animals are involved. One covers situations in which they are intended to be kept under physical containment, the other in which they are intended to be used in the open environment.

The directives lay down harmonised approval procedures to be followed ahead of experimental work, industrial production or the marketing of products throughout the EC. They are based closely on a model developed by the OECD.

Yesterday's Council was also marked by further birth pains for the new European Environment Agency. In deference to the European Parliament, which wants the agency to be given more powers, member states agreed to a review of its somewhat limited functions in two years time, specifically mentioning "monitoring" and the ability to award "eco labels" for environmentally friendly products.

It was unclear last night whether this gesture was sufficient for Mr Ken Collins, chairman of the parliament's influential Environment Committee who has threatened to try to block budget funds for the agency if his "moderate" demands are not met.

● In a clear bid to boost his own "green" credentials – under attack because of British opposition to a Commission declaration on climate change to be discussed by ministers later last night – Mr Chris Patten, the UK Environment Secretary, was letting it be known that Britain would push for the toughest international standards on diesel emissions when the Commission comes forward with revised proposals.

## Bonn hopes to keep trade ties with east

**By David Marsh in Bonn and Andrew Fisher in Frankfurt**

THE Bonn Government hopes to maintain as many as possible of East Germany's export obligations to the Soviet Union and eastern Europe as a way of limiting job losses in East German factories after unification.

Officials in Bonn want to assemble a detailed picture of East Germany's web of contractual obligations with the Comecon area, which accounts for 66 per cent of East Germany's foreign trade. The Soviet share is 38 per cent.

As part of efforts to win Soviet blessing for unification, Mr Helmut Kohl, the Chancellor, has already made a promise to try to fulfil East Germany's delivery commitments. Bonn also wants to prevent large-scale job cuts in East German plants dependent on Comecon orders in areas like machinery, cables or electronic computers.

East Germany is believed to have entered into a total of 3,300 treaty obligations with foreign countries across a variety of fields. Combing through these commitments will be an important task for East and West German officials before unification.

Officials close to Mr Lothar de Maizière, the East German Prime Minister-designate, say that not all these treaties may be legally valid.

There is further uncertainty about whether East Germany's trade partners in eastern Europe will be forced to pay hard currency for imports once East Berlin goes over to a D-mark payments system in coming months. If Bonn in future allows the Soviet Union to pay for East German imports through hidden subsidies, West Germany could well run into trouble with other industrialised countries on the grounds that it is distorting trade practices.

Securing access to eastern markets is a high priority for West German companies such as Siemens, Volkswagen and Daimler-Benz which have been seeking to build links with East German state-owned groups.

**West Germany plans to bring in a further supplementary budget this year if needed to fund extra social security spending for East Germany, Finance Ministry officials said yesterday, writes David Marsh in Bonn. The news came as Mr Lothar de Maizière, leader of the East German Christian Democrats, wound up talks here with Chancellor Helmut Kohl. Surprised at the extent of Sunday's win for his conservative Alliance for Germany, Mr de Maizière is showing only lukewarm interest in unity negotiations with Bonn. It emerged yesterday that foreign ministers of the two German states and the four Second World War allies - the US, Soviet Union, Britain and *France - are to hold* German unity talks late in April.**

East German CDU leader, Lothar de Maizière (centre), at a news conference yesterday with other conservative leaders after talks with Chancellor Helmut Kohl

## Nato chief to visit Pact capitals

**By David Buchan in Brussels**

FRESH EVIDENCE of the blurring of alliances came yesterday with the news that Mr Manfred Wörner, the Nato Secretary-General, will soon visit Moscow, Prague and Warsaw, and with a speech to the Western European Union (WEU) by the Polish Foreign Minister lauding its contribution to European stability.

Mr Wörner is to reciprocate the calls paid on him by the Soviet, Czechoslovak and Polish foreign ministers, though only his trip to Moscow – the first ever by a Nato Secretary General – was formally announced for some time in the next couple of months. In a radio interview, he said he would try to convince the Kremlin that a united Germany within Nato was in the interests of the Soviet Union.

Mr Krzysztof Skubiszewski, the Polish Foreign Minister, who ended his Wednesday visit to Mr Wörner with the words "See you in Warsaw", yesterday addressed the parliamentary assembly of the nine-nation WEU in Luxembourg.

Saying that Nato and its WEU sub-grouping fulfilled "a stabilising function", the Polish minister minimised his country's continued membership of the Warsaw Pact, which "in the process of building up European unity will lose much of its significance".

The fact that Poland belonged to another alliance did not mean that its ideological or political objectives differed from Nato's.

## MEPs' suspicions surface over Efta discussions

**By David Buchan in Brussels**

TEMPERS flared yesterday in the European Parliament over the EC's controversial negotiations to create a common economic zone with the European Free Trade Association (Efta).

The spark was a leaked report from Tuesday's final preparatory meeting between EC and Efta officials before politicians endorse the start of real talks in the summer.

Members of the Parliament's external relations committee took Mr Frans Andriessen, the Commissioner responsible for the Efta negotiations, to task for allegedly letting his officials run ahead of their brief in making concessions on Community decision-making.

At the heart of the row was not the sensitivity of the document - which reiterates Brussels' aim of letting Efta help "shape but not take" its decisions - but of MEPs themselves. They deeply dislike the notion of bureaucrats and lawyers, on both the EC and Efta sides, agreeing common rules for the 18-nation zone behind closed doors.

Mr Andriessen promised that no outside body like Efta would be given greater power to shape EC policy than the European Parliament itself.

## Uncertainties beset Turkish privatisation

### Political and economic factors take their toll, writes Jim Bodgener

TURKEY'S privatisation programme has had a short but chequered history since its launch in the early 1980s. It has been promoted as a key component of the free-market policies of the new civilian government of the then-Prime Minister, Mr Turgut Ozal and his creation, the centre-right Motherland Party (ANAP).

*But it is now embroiled in* the widespread censure of an unpopular government whose economic prescriptions have signally failed to cure high inflation.

At the outset, the targets of the privatisation programme had a familiar ring of its role model in Mrs Thatcher's Britain.

Private ownership, it was claimed, would rationalise and streamline the state economic enterprises (SEEs).

These accounted for more than 50 per cent of fixed productive assets and produced most domestic raw materials, but were seen as industrial dinosaurs plagued by overmanning, obsolescent equipment, poor management and political interference.

In addition the privatisation programme was intended to deepen and widen the fledgling capital markets through public share ownership, thereby nurturing the revamped but still miniscule Istanbul stock exchange.

Their sale was also expected to attract foreign investment and be a big source of revenue for a cash-strapped government reeling from the heavy budgetary burden of funding rapid infrastructure developments.

Much progress, through management overhauls and fresh investment, has been made by companies like Turk Hava Yollari (THY - Turkish Airlines), and the Turkish Iron and Steelworks Administration. But many others among 28 separate corporations and 16 affiliates, including Turkish Railways and Turkish Hard Coal, remained mired in a financial morass. Many would have qualified for technical insolvency if their books were ever transparently audited.

However, greater manage*ment autonomy in many cases* has only led to price hikes to cover operating deficits, and the SEEs are still a big contributor to Turkey's chronic inflation.

The privatisation programme was never meant to be a hasty Dutch auction – the foundation for the SEEs had been laid by the Turkish republic's founder, Mustafa Kemal Ataturk.

Consultancy contracts were awarded to foreign and Turkish institutions, the first being a master study by Morgan Guaranty of the US. This was followed by sectoral studies and then individual advisory contracts for specific SEEs.

Co-ordination was entrusted to a body independent of central budgetary control,the Mass Housing and Public Participation Administration (MHPPA).

In 1987 the government placed small amounts of the state's minority holdings in private companies onto the exchange. The Higher Planning Council (HPC), the government's supreme policy-making body, issued guidelines which called for employees to receive a first option to buy shares. It was intended that ordinary Turkish citizens would also receive priority over foreign interests.

The first substantial privatisation excercise, the sale of shares in the state's minority holdings in the telecommunications joint venture Teletas, was scheduled for March, 1988. But the stock prices had crashed in the autumn of 1987, and the Teletas shares, though popular, entered a thin and depressed market.

With the stock market in the doldrums throughout 1988, the government turned instead to sales of blocks of shares to foreign companies with the cash *to pay for them.*

The concept of delayed public offerings, in which large percentages of foreign-owned companies would ultimately be issued to the public, was also introduced. In 1989, several small companies were disposed of in this way.

UNBUNDLING THE STATE

The privatisation programme was already beset by increasing criticism for selling state assets cheaply to foreigners. Indeed, one deal, the purchase by a consortium led by Aer Lingus of THY charter and cargo subsidiary Bogazici HavaTascimaciligi, fell through amid such allegations last year. BHT subsequently had to be wound up and its assets absorbed by THY.

In January, opposition MPs from both the social democrats and ANAP's contender on the right, the True Path Party led by President Ozal's arch-rival, Mr Suleyman Demirel, successfuly brought cases against the government alleging inconsistent implementation on the basis of the 1987 directive.

That forced the Council last week into the constitutionally proper but politically dangerous course of revising the directive to permit block sales to foreigners. The question now is whether it will be retroactive for the companies which *have already been sold to foreigners*, and which have mostly been paid for.

The MHPPA deputy-director in charge of privatisation, Mr Yilmaz Arguder, then felt free to resign. He cited the fact that basic principles, such as the introduction of market mechanisms and the need to widen the share ownership base, were being ignored.

He was especially concerned about plans for the sale of the state petrochemicals monopoly Petkim, and government rights to intervene in the interests of free competition once it had gone through.

Petkim is one of the first two large SEEs selected for privatisation, the other being the textiles, leather and porcelain conglomerate Sumerbank. The replacement value being between $3bn -$4bn, for example. With its limited processing and product range, Petkim will be easier to structure for denationalisation compared with the more diversified Sumerbank, which also owns about 450 retail outlets.

Also likely to come on the block this year are more minority participations, plus medium-scale SEEs like hotel and resort chain Turban.

Privatisation is still dear to the heart of President Ozal. But the enthusiasm of his acolytes left behind in the government is another matter, especially when the programme wins no electoral kudos.

# Media law may force Berlusconi disposals

By John Wyles in Rome

THE ITALIAN Senate yesterday overcame strong tensions within the governing coalition and passed Italy's first law to regulate overlapping ownerships of newspapers and television stations.

If the lower house confirms the legislation, Mr Silvio Berlusconi could be forced to dispose of either his newspaper interests or one or more of his three television networks.

After languishing for nearly two years, the proposal suddenly accelerated through the Senate after Mr Berlusconi and allies acquired control late last year of Mondadori, Italy's largest publishing group.

Passage by the Senate makes it more likely that Mr Berlusconi will seek an agreement with Mr Carlo De Benedetti, his rival shareholder in Mondadori, which would leave Mr De Benedetti in control of La Repubblica, Italy's largest selling daily newspaper.

The Senate law forbids dual ownership of daily newspapers and televison stations which means that Mr Berlusconi would also have to dispose of the Milan daily Il Giornale or a television station.

The main lines of the new legislation may well be applied before the lower house deals with it. This is because the Constitutional Court must issue a judgment before May on media ownership which would have to be translated into law unless the current legislative vacuum is filled. The Government is therefore expected to issue a decree law.

This week's voting on the law's various clauses threw into focus the divisions within the Christian Democractic Party, whose left-wing faction joined with the Communists to pass an amendment forbidding transmission of advertisements in the middle of films, operas and theatrical performances.

Mr Berlusconi claims this would cost him $300m a year in lost revenues while putting many small stations out of business.

Mr Bettino Craxi, the Socialist leader, yesterday refrained from seizing on Christian Democrat divisions as a pretext for opening a political crisis. He said in a speech to his party's policy planning congress that a "political clarification" was needed to remove the atmosphere of crisis surrounding the current legislature.

# Racial tensions strain fabric of Florence

## The historic city has become the focus of a national problem, writes John Simkins

THE EXPLOSION of racial tension in Florence has concentrated minds wonderfully on the needs of immigrants, both in the city and throughout Italy where immigration has become the number one social issue.

Mr Giorgio Morales, the mayor, admits the eyes of the world are on Florence. But, in the eyes of many Florentines, the authorities are to blame for not tackling the problem earlier and for a lack of political direction that has stunted the city's development and allowed frustrations to come to a head.

Mr Morales, a Socialist, resigned on Tuesday after a no-confidence vote by the Communists, senior partner in the coalition council, but remains mayor to fulfil administrative functions until local elections on May 6.

For about five years the two parties have ruled uneasily together, swapping insults across the frescoed chambers of the Palazzo Vecchio, or Town Hall. Big decisions on the city's infrastructure have been botched and the important shop-keeper community has grown frustrated. It became exasperated, too, with a crime wave involving drug pushing, theft and prostitution for which Tunisians, Moroccans and Algerians were held largely responsible, even though they may be manipulated by the mafia.

The city's historic centre is too small to contain these tensions. Florence has 430,000 inhabitants and 4m tourists every year – perhaps more this year with Florence a World Cup venue.

There are also up to 10,000 non-EC immigrants, many of whom have remained beyond their three-month tourist stay and are the target of a new law to give health, housing and welfare rights to illegal immigrants who declare their presence by June 30.

In Florence, the largest of these groups are Chinese (working in the leather industry) and Philippine (domestic service). More recent arrivals include north and west Africans who have not found established communities to merge into and who, to sustain themselves, resort to unlicensed street hawking, sometimes pedalling false trade-name goods in an Italian-run racket.

Shop-keepers and the 1,200 Florentine market traders complained that their trade was suffering. Against this background, there was a premeditated attack by Italian youths on north Africans last month and, on March 12, a heavily reinforced police action ordered by Italy's chief of police to clean up crime, which led the Communists to desert Mr Morales.

Mayor Morales: deserted by political allies

Widely seen as tactlessly heavy-handed, and far heavier than Mr Morales wished, the police action did not spare the small Senegalese community which forms the nucleus of the immigrant *vu' cumprà*, as hawkers are known. More than a hundred embarked on a hunger strike in the cathedral baptistery square which ended last weekend with a deal in which Mr Morales conceded four central areas to immigrant hawkers and promised job training and social support.

He was immediately besieged by shop-keepers. "A problem that concerns all society falls just on the street traders," said Mr Gianni Cammelli, of Confeseacenti, the commercial confederation.

Mr Morales admits the accord is only a beginning. "The law which allows for funds [for immigrants] only came into effect on February 28," he said. "I don't know what we could have done to find a solution earlier."

Father Giuseppe of the Verona Fathers, who is involved in the few voluntary initiatives to find housing for immigrants, finds that "a lame excuse". "For housing there are empty places around but the political will to do anything was lacking. The authorities did not understand the gravity of the problem."

Both he and Mr Moreno Biagioni, of the council's immigrants' office, stress the contribution that non-EC immigrants can make. "They do the work that Italians don't want to do any more," said Mr Biagioni. As for the *vu' cumprà*, Mr Fallou Faye, leader of the Senegalese, says they do not want to remain on the street but want workshops to make their own goods and jobs in industry.

Mr Biagioni acknowledges the immigrant link with crime: immigrants comprise about 40 per cent of inmates in Florence's Sollicciano jail and 100 north Africans in the city have been expelled from Italy because of criminal records.

However, he says, crime fuelled the public perception that all Florence's ills were connected to immigrants. "The problems happened here because commerce has a big role and the traders fear novelty. They succeeded in spreading a negative view of immigrants."

What is needed after the May elections is a council which will create the infrastructure necessary for commercial development. This was to have been provided by a new town at Novili to the north-west, a public and private sector enterprise led by Fiat and La Fondiaria, the Florentine insurance group. But the Communists, after examining their green conscience and, it is said, on the order of the party's national leader, Mr Achille Occhetto, caused it to be scrapped.

Similar arguments have prevented extension of the runway at Peretola airport and, although the city centre has been closed to traffic, progress has been slow in building car parks on its fringes.

For one reason or another there has been a stream of complainants outside Palazzo Vecchio. "People are not well governed in Florence and have a grudge against those in power and the immigration problems have come as a last straw," said Father Giuseppe.

# Banks put debt interest proposal to Warsaw

By Stephen Fidler, Euromarkets Correspondent

LEADING BANK creditors have proposed that Poland pay 15 per cent of the interest due to them this year, despite a call from western governments for more generous concessions.

The proposal, presented to the Polish Government over the past week, would involve Poland paying 15 per cent of the interest due on $9.1bn of medium-term bank debt between the start of 1990 and end-March 1991. The remaining 85 per cent would be rolled into an existing $1bn short-term trade credit, which would thus expand by about $700m over the period.

The Government is expected to respond at a meeting with its leading banks, headed by Barclays, in Vienna next week. Poland has not made interest payments on its medium-term debt this year but has been servicing the $1bn in trade loans.

The Paris Club of creditor governments, responsible for two-thirds of the country's $40bn of foreign debt, agreed last month to postpone all interest and principal payments by Poland until March 1991. It called on bank creditors to do the same.

**The Polish parliament yesterday looked set to dismantle the RSW Prasa publishing concern which employs 77,000 and is still controlled by the SDRP, successor to the Communist Party, writes Christopher Bobinski in Warsaw. The move will deprive the former Communists of a major source of income as well as 44 dailies, 30 weeklies, 21 printing plants and the country's only newspaper retail network of 22,500 kiosks.**

By March 1991, it is hoped the country will be in a position to negotiate a three-year International Monetary Fund programme, a so-called extended fund facility. Under its auspices, a more comprehensive review of the country's debt position is expected, including a deal which includes the reduction of bank debts under the Brady initiative, launched a year ago.

However, banks are likely to baulk at forgiving debts unless the Paris Club does too. a move resisted so far by governments for middle-income countries.

# Setback for Labour in Dutch polls

By Laura Raun in Amsterdam

HEAVY LOSSES suffered by the Dutch Labour Party in local elections this week could deepen divisions in the country's centre-left governing coalition of Christian Democrats and Socialists.

Mr Wim Kok, the Socialist Deputy Prime Minister, insisted that cabinet policies would continue unchanged, but some party leaders believe that the coalition's junior partners may feel compelled to sharpen their profile.

The Christian Democratic Party, the senior coalition partner, is meanwhile likely to feel it has a strengthened hand. Since finally forming a coalition last November, the Christian Democrats and Socialists have differed on several big issues such as the environment, health care and "social renewal", a vague initiative to combat unemployment, improve education and upgrade housing.

In Wednesday's nationwide municipal elections, which saw a record low voter turnout of 61 per cent, the Labour Party gleaned only 25 per cent of the vote, a big fall from the 32 per cent it gained in the September 1989 general election and its 33 per cent share in the previous local elections in 1986. Not since the 1982 local polls, when it won only 21 per cent, has Labour done so badly.

The Christian Democrats took 32.5 per cent of the vote, lower than their 35 per cent in the general election but higher than their 31.5 per cent in the last local elections.

The big winners were the Democrats 66, an eclectic and slightly left-of-centre party, and Green Left, a coalition of far-left parties. The former won 12.5 per cent (compared to 8 per cent in the general election and 5.5 in the last local polls), Left secured 7 per cent (4 and 5.4 per cent).

# French to raise tobacco prices

THE FRENCH Government intends to increase tobacco prices by 15 per cent from next January and is considering plans to ban all publicity for smoking and drinking, writes William Dawkins in Paris.

A committee of nine ministers has approved the price proposal, which will be submitted for acceptance as official policy to the Council of Ministers next week. This is the outcome of a radical independent report on public health, which calls for all kinds of advertising likely to encourage people to drink or smoke to be phased out over three years.

The Government is still officially considering whether to adopt an advertising ban, but is likely to limit such a proposal to newspapers and magazine aimed at young people, said officials. A full ban would risk creating an outcry from the newspaper advertising industry.

# Ankara accuses terrorists over Kurdish clashes

By Jim Bodgener in Ankara

THE TURKISH Government yesterday accused terrorists of inciting ordinary people to confront the security forces. The government spokesman and state minister, Mr Mehmet Yazar, was referring to clashes between security forces and Kurds in the south-eastern town of Cizre on Tuesday in which four people were killed and nine wounded.

Fears of a growing wave of destabilisation and terrorism have been fuelled by the clashes. On Wednesday gunmen executed nine senior employees from the state mining agency Etibank, including their factory manager.

"There seems to be a latent civil war in a corner of our country," said Mr Suleyman Demirel, leader of the third largest parliamentary grouping, the True Path Party.

The Cizre clashes on Tuesday followed the death of a youth shot last week when security forces fired on demonstrators after the funeral of a guerrilla of the separatist Marxist Kurdish Workers Party (PKK), in Nusaybin, to the west of Cizre.

Student demonstrations, strongly tinged with protest against state suppression of Kurdish minority aspirations, broke out in universities across the country on Wednesday, the Shi'ite Moslem new year festival of Nev Rouz.

Security forces also said they had broken up an underground Islamic revolutionary circle in three cities with 33 arrests and the seizure of arms.

The Cizre and Nusaybin incidents were alarming demonstrations of popular resentment against the security forces and sympathy with the PKK in the predominantly Kurdish south-east, Ankara diplomats said.

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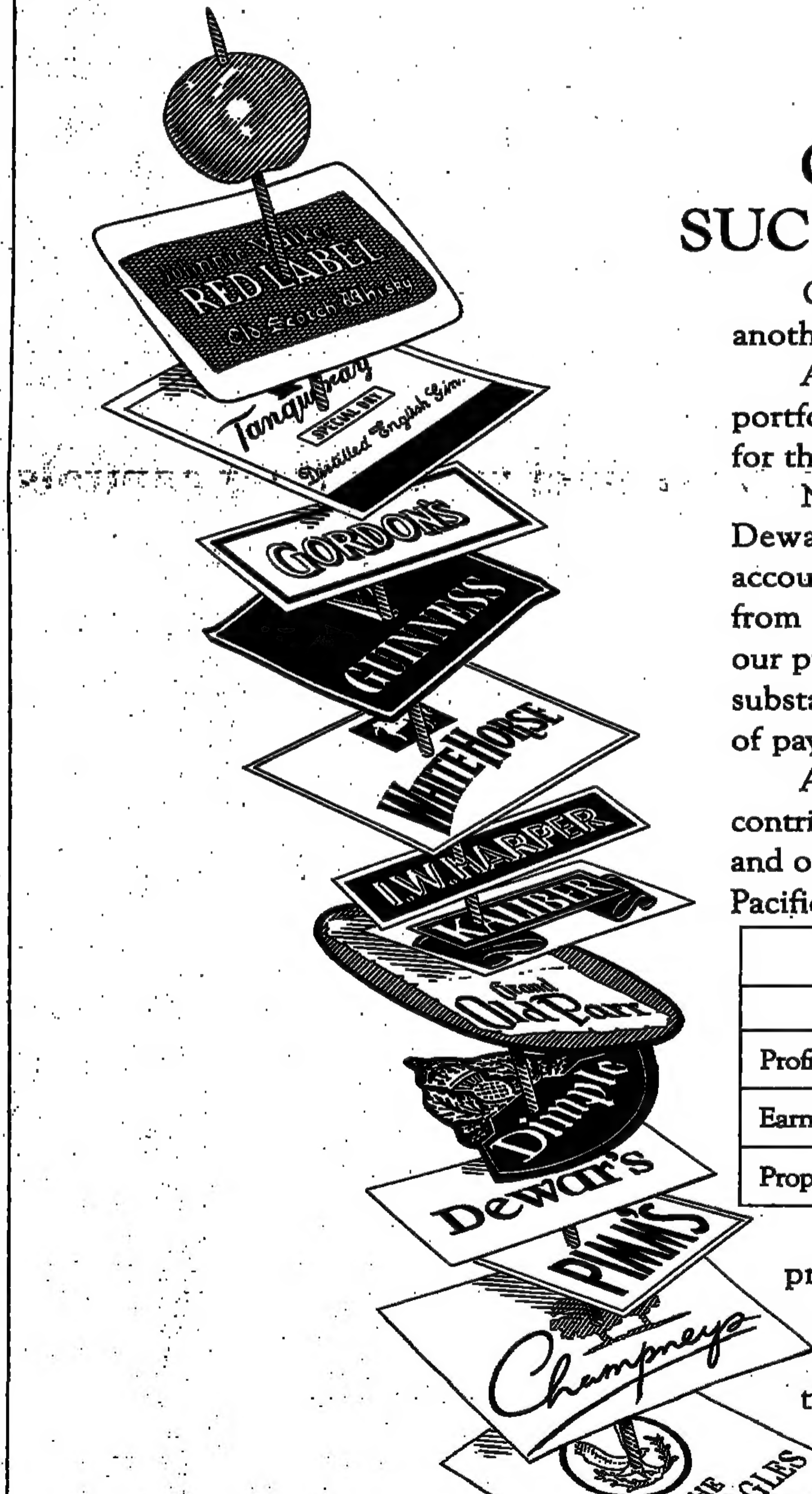


# Japanese deny threat to quit Boeing project

By **Michiyo Nakamoto** in Tokyo

JAPAN'S leading aircraft manufacturers yesterday denied speculation that they might pull out of Boeing's programme to develop a new twin-engine airliner, the 767X. Three Japanese companies have been negotiating with Boeing to participate as risk sharing partners in the 767X, a 350-seat airliner which would compete with the Airbus A-330 and A-340.

Mitsubishi Heavy Industry, Kawasaki Heavy Industry and Fuji Heavy Industry said that *negotiations with Boeing were* still continuing on the basis that the companies would participate in the 767X project.

"Nothing has changed in our stance (towards the programme)," said an official at Mitsubishi Heavy Industries, who pointed out that the company was taking a very cautious and long-term approach to the negotiations.

"It is a very big project and commercial plane project negotiations tend to go in all sorts of different directions anyway," said the official. "But we *are conducting negotiations on* the basic assumption that we are still in on it," he said.

Boeing confirmed this week that there was a risk that the Japanese might not participate as equity partners in the 767X but said talks were continuing.

There has been mounting concern in the US that joint projects between US and Japanese makers would give the Japanese side access to valuable US technology and compromise the US lead in the aerospace industry.

At the same time, the Japa*nese companies have been con*cerned that Boeing may chose to give a larger share of the project to US aircraft manufacturers which are likely to see their defence business shrink with the growing worldwide trend towards disarmament. "We have been told that our stake could be reduced for this reason," said an official at one of the Japanese companies.

The Japanese government has singled out aerospace as a key industry it would like to develop and Japan's aircraft manufacturers have been eager *to move up from their long*held role of subcontractor to risk-sharing equity partner. In order for Japan to develop a serious aerospace industry it is essential that Japanese manufacturers acquire first hand experience in the development and production as well as marketing of aircraft.

Boeing's invitation to them to take a big equity stake in the project, and presumeably to participate in the development and design of the aircraft, appeared to be the opportunity the Japanese had been *waiting for.*

# Paper manufacturers chase higher prices

## Canadian newsprint groups are taking a gamble in a soft market, says **Bernard Simon**

CANADA'S newsprint makers have thrown caution to the wind by *trying to impose* a price increase in what appears to be a buyer's market.

Despite some heavy discounting in recent months and machine shutdowns to bring supply into line with demand, the Canadian producers have told their export customers over the past few weeks that they plan to raise prices by about 5 per cent on June 1, either by eliminating discounts or lifting list prices. The new price for US customers will be $685 a tonne from eastern mills and $630 a tonne from west coast producers.

The attempt to raise prices in a softish market is a big *gamble for the Canadians, who* account for just over 60 per cent of North American newsprint output, but whose share of the US market has been falling for the past decade. They cite the cost of recycling paper, demanded by many US states, as a reason for the increase.

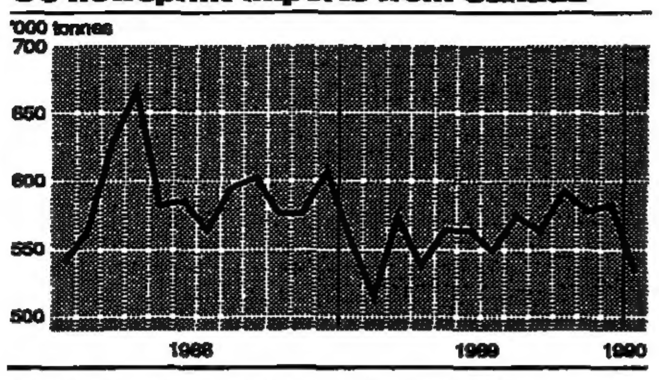
The notification has angered many of their customers, whose relationship with the Canadian mills is already strained by their high costs and mediocre labour record. In a reaction typical of many publishing companies, Mr Bill Hee, paper purchasing manager at Gannett Co. in Arlington, Virginia, says that the proposed increased "is not based on supply and demand. The only thing it's based on is that they need more money for the future and want to improve their earnings."

Mr Al Small, general sales manager for newsprint at Macmillan Bloedel in Vancouver, says customer reaction so far has ranged from "disappointment and surprise," to others who "expected something and understand our needs."

The North American newsprint market is far from buoyant. According to the Canadian Pulp and Paper Association, the industry's operating rate was 92 per cent in January, down from 99 per cent a year earlier. Shipments were down 5.1 per cent to 715,000 tonnes.

Most companies have installed extra capacity in the past few years, shrugging off warnings that the good times would not last forever. The annual capacity of the Canadian industry has expanded from 9.73m tonnes in 1985 to 10.1m last January. Whatever the state of the market, the producers argue that higher prices are badly needed to ensure their long-term viability. Earnings of Canadian forest products companies plunged in the final three months of last year, largely because of the softening newsprint market. Toronto-based Abitibi-Price, North America's biggest newsprint producer, earned C$6.5m (before special charges) in the fourth quarter, one-seventh of its income a year earlier.

**US newsprint imports from Canada**




Mr Mark Gibson, manager for newsprint sales at Fletcher Challenge Canada in Vancouver, notes that "a lot of companies just feel that their projections for 1990 showed that they weren't going to make any money on newsprint, so they've decided to increase prices. Period."

At the top of the mills' arguments is the fact that newsprint prices have not gone up since January 1988, despite numerous cost increases. In particular, almost all the companies are being forced to spend heavily on equipment for newsprint recycling to conform with the mushrooming anti-pollution regulations passed by US states. These rules require newsprint consumers to use a certain proportion of recycled material, in some cases as much as 50 per cent. The de-inking machines *required for the recycling pro*cess cost C$50-C$85m a piece. Inadequate returns have prompted Abitibi-Price to delay installing de-inking equipment at one Ontario mill.

Despite the undisputed challenges in making the proposed price increase stick, the producers may have struck with impeccable timing. Publishers and other newsprint users have left themselves vulnerable by running down stocks to their lowest levels in almost a decade. The CPPA estimated consumers' inventories at 1.24m tonnes, equal to 37 days supply, at the end of January, compared with 44 days supply a year earlier.

Although the market is far from booming, demand in the US, especially on the west coast, has unexpectedly picked up in the past month or two. The producers are crossing fingers that it will strengthen between now and June. Another factor influencing the eastern Canadian producers was the prospect of negotiations over the next few months *to replace expiring labour* contracts. On the one hand, a strike at one or more companies would push up spot prices, making it easier to implement the proposed increase. On the other, failure to push through the increase would help the companies resist wage demands.

To their relief, the Canadians have found some powerful support in the past few days with the decision by three leading southern US newsprint makers – Bowater, Champion and Kimberly-Clark – to join in the demand for higher prices.

Mr Amit Wadhwany, forest products analyst at Bunting Warburg in Montreal, predicts that while the producers may not succeed in wringing the entire $85 a ton increase out of their customers, they have a good chance of getting at least some of it.

DOING BUSINESS IN EAST EUROPE

# US seeks to stop tied aid in E Europe

THE US has asked Spain to rescind an offer of concessional *trade financing to Poland* and is urging other European nations to keep East Europe free of tied aid, writes Nancy Dunne in Washington.

The representations were made to Spain by the US State Department as concern here grows that mixed credits – foreign aid mingled with trade finance – will become a trade-distorting factor in East Europe as it has in many deals in Asia and the Middle East.

The US is seeking elimination of mixed credits within the Organisation of Economic Co-operation and Development, and a meeting to advance its argument is scheduled in the first week of April.

Mr James Sharp, executive vice president of the US Export-Import Bank, said the agency has received official notification that Spain is offering a mixed credit facility for the purchases of unspecified goods and services.

Reports have been received of another Spanish offer of mixed credit financing for a Hungarian telecommunications deal, but these have not been confirmed, Mr Sharp said.

The spectre of East Europe becoming another "mixed credit battlefield" was raised last week at an Eximbank Con*ference by Congressman* Walter Fauntroy, chairman of a House Banking subcommittee.

"The United States clearly does not have the limitless budgetary resources with which to match our European friends," Congressman Fauntroy said.

# East German shipbuilder in talks with West

By **Leslie Colitt** in East Berlin

SHIPBUILDERS in East and West Germany are joining forces in order to survive fierce competition from Far Eastern shipyards.

Mr Jürgen Begemann, Director General of the East German Shipbuilding Kombinat, said he was holding talks with two large West German shipyards, Howaltswerke-Deutsche Werft (HDW) and Bremer Vulkan, on *future co-operation.*

The East German shipbuilding concern, one of the largest in Europe, recently became an associated member of the West German shipbuilders federation and is to gain full membership when economic and monetary union takes place. Mr Klaus Nietzke, spokesman for HDW, confirmed that shipbuilders in East and West Germany are adopting a common strategy toward competition from the Far East, mainly South Korea.

# S Korea patches up beef row with US

SOUTH Korea has resolved a dispute with the US over beef *imports*, averting possible trade sanctions from Washington, Reuter reports from Seoul.

An accord reached during three days of talks, which ended on Wednesday in Washington, called for Seoul to increase its global beef import quota to 58,000 tonnes this year from 50,000 last year, they said.

According to the agreement, the quota will rise to 62,000 tonnes in 1991 and 66,000 in 1992.

"US negotiators originally asked us to submit a schedule for total liberalisation of beef imports but later agreed to accept our offer to increase the annual quota," a Korean official said.

Seoul and Washington would hold talks before July, 1992, to discuss the possibility of removing South Korea's beef import barriers, he said.

Washington had threatened to ban imports of certain South Korean products unless the country's borders were opened to more beef imports.

After a ban from May 1985 to August 1988, Seoul agreed to allow 14,200 tonnes of beef imports in the remainder of 1988 and 50,000 last year. The bulk of the country's beef *imports come from the US and* Australia.

A General Agreement on Tariffs and Trade (Gatt) panel ruled last year that South Korea unfairly discriminated against beef imports. Seoul, however, has been under strong pressure from local farmers to limit the imports.

# American Airlines files complaint against Iberia

By **Paul Betts**, Aerospace Correspondent

*AMERICAN Airlines*, the largest Western carrier, has filed an unfair competition complaint against Iberia, the Spanish national airline, for withdrawing from the American Airlines computer reservation system Sabre.

The US airline claims Iberia is seeking to give the rival European Amadeus system a monopoly in Spain. Iberia is a member of the Amadeus system, which includes several European and international airlines.

American Airlines filed its complaint with the US Transport Department asking assistance from Washington to enforce its rights under the US-Spain bilateral air transport agreement for fair and equal opportunity to compete.

## NEWS IN BRIEF

### EC dumping probe

The European Commission is to open an inquiry into the alleged dumping on the European market of untreated cotton thread by Brazil, Egypt, India, Thailand, and Turkey, *Lucy Kellaway* writes from Brussels.

Following a complaint from Eurocoton, an association of EC cotton producers, the Commission said there was sufficient evidence to justify an investigation.

### Kharg contract

The world's largest oil terminal, Iran's Kharg Island, is to be rebuilt for FFr1.3bn (£140) by a subsidiary of French construction company, GTM-Entrepose, William Dawkins reports from Paris.

GTM-Entrepose, 40 per cent owned by the Dumez construction group, has received a letter of intent from the Iranian national oil company.

### Boost for Agusta

Agusta, Italy's leading helicopter manufacturer, has won orders from the US and Turkey for 100 of its SF 260 fixed-wing trainer, John Wyles reports from Rome.

The Turkish order, worth $17m, is for 40 of the SIAI Marchetti military trainer for the national Air Force. Texana Fox 51 of the US, by contrast has signed an order for 60 versions for civilian use.

### Taiwan exports

Taiwan's exports to the Soviet Union and Eastern Europe surged in January, and officials said they expected political and economic reforms in the region to boost further demand for Taiwanese goods, Reuter reports from Taipei.

### $200m tanker deal

Bergesen, Norway's leading bulk shipowner, has placed a $200m contract with Japan's NKK Corporation to build two crude oil tankers, Karen Fossli reports from Oslo.

# Colombian left-wing candidate murdered

By Robert Graham

MR BERNARDO Jaramillo, the main left-wing candidate in Colombia's presidential elections, was assassinated yesterday by an unknown gunman at Bogotá airport.

This immediately provoked riots and demonstrations in the Colombian capital, while President Virgilio Barco called an emergency cabinet meeting. The national teachers' union called for a 48-hour protest strike.

Mr Jaramillo, 39-year-old leader of the Patriotic Union party, was shot twice in the chest and stomach. He was the second candidate assassinated in the current presidential campaign. Last August gunmen killed Senator Luís Carlos Galán, the ruling Liberal Party's leading candidate, at a rally.

Earlier this year, assassins carried out an abortive attack at Bogotá airport on another Liberal Party presidential hopeful, Mr Ernesto Samper. In 1987, the UP's first leader, Mr Jaime Pardo Leal, was also murdered.

Despite exceptional security at the airport, the latest killer was able to approach Mr Jaramillo as he prepared to leave on holiday. The gunman was then shot and taken into custody by police. The man was reported to be a 21-year-old from Medellín, where most of the country's hired killers are trained under the aegis of drug cartels.

No group claimed responsibility but it was sepculated that the killing was the work of right-wing death squads in concert with extremists in the military and drug barons. Some demonstrators yesterday accused the government of complicity.

# Row brews over British companies' US tax burden

By Peter Riddell in Washington

US CONGRESSIONAL proposals aimed at increasing taxes paid by foreign companies are discriminatory against Britain and would impose "an unreasonable and burdensome requirement," according to the UK Government.

Democratic leaders in the House of Representatives have put forward legislation to give the US Internal Revenue Service powers to secure additional information on past years from foreign companies. It would also impose a 10 per cent withholding tax on capital gains on sales of US securities by overseas direct investors holding 10 per cent or more of the equity of a US company, expect there is a bilateral tax treaty prohibiting such a levy.

Britain finds the measure particularly objectionable not only because UK direct investors are by far the largest in the US but also because, possibly unintentionally, the withholding tax discriminates against British companies and could substantially increase their tax bills. This is because, unlike US tax treaties with most other countries, the UK/US treaty does not prevent the imposition of capital gains tax on foreign-owned assets.

However, in practice neither country taxes the gains of the other's residents. Mr Richard Pratt, the economic counsellor at the British Embassy in Washington, said the UK "will be the only major trading partner of the US whose residents are subject to this tax. This will amount to discrimination in practice against UK companies." The US last year gave the IRS additional powers in relation to current and future tax affairs of foreign companies which, according to Mr Pratt, Britain regards as "extra territorial in effect by extending US law to cover actions taken by UK companies while still in the UK".

The new proposal, he says, "adds insult to injury by applying that law retrospectively".

The US Treasury has not yet said what information it wants kept as a result of last year's law. "Under the proposed law a British company, in Britain, would be expected by US law to avoid destroying a set of unspecified records for an unspecified time. This is an unreasonable and burdensome requirement." The plan stands a good chance of being approved by the House.

# Mulroney enters Quebec fray

By Bernard Simon in Toronto

CANADIAN Prime Minister Brian Mulroney was due last night to outline a new federal plan for breaking the logjam over the Meech Lake accord, the contentious agreement which gives Quebec the power to promote its status as a unique part of the country.

Mr Mulroney's intervention, only his second TV address since he took office more than five years ago, appears carefully timed to spike the guns of former Prime Minister Pierre Trudeau, who has returned to the political arena this week to attack the accord.

The accord, signed by the prime minister and the provincial premiers in 1987, must be ratified by all ten provincial legislatures by June 23 if it is to survive.

There is widespread concern that its collapse would increase political tensions notably by encouraging the separatist movement in Quebec.

The government of New Brunswick, the most flexible of the three dissident provinces, proposed a compromise earlier this week that would allow the accord to be passed in its present form, but with "companion amendments" to the constitution to take account of objections to the agreement.

The amendments include an obligation on parliament to promote the linguistic duality of the entire country, including Quebec. The New Brunswick proposal is widely seen as a first step towards isolating Newfoundland, which has become the most dogmatic opponent of the accord.

Newfoundland's Liberal government introduced a resolution in the provincial legislature yesterday to rescind the ratification passed under a previous Conservative administration.

Newfoundland's premier Mr Clyde Wells has so far shown no signs of budging from his position that the Meech Lake accord is so flawed that any "parallel" agreement, such as that proposed by New Brunswick, is unacceptable.

Mr Wells has said he will ask the federal government to hold a national referendum, and will abide by the result, if Newfoundland ends up as the only province not to ratify the agreement.

Quebec's premier, Mr Robert Bourassa, warned Mr Wells that Newfoundland would be taking an "unlimited risk" with the future of Canada if it was to rescind its earlier ratification of the accord.

# Argentine army chief choice irks generals

By Gary Mead in Buenos Aires

GENERAL Martín Felix Bonnet has been appointed chief of staff of the Argentine army, following the death on Wednesday evening of General Isidro Cáceres. He had been in a coma for several days after a heart attack.

The appointment of Gen Bonnet to the top post, and the simultaneous promotion of Gen Martín Balza as his deputy, has political implications for the stability of the army, and perhaps also for the country's civilian government under President Carlos Menem.

By conventional Argentine military rules, the new chief of staff should be Gen Pablo Skalany, second in the army hierarchy after Gen Cáceres and in charge of the Argentine military's extensive industrial.

However, Gen Skalany is not favoured by Mr Menem, who is head of the armed forces with ultimate responsibility for military promotions. In December 1988, the general was in charge of the Palermo barracks in Buenos Aires, where the then Colonel Mohamed Ali Seineldin was interned after a four-day armed rebellion.

Gen Skalany is considered ideologically close to ex-Col Seineldin, now on the retired list and very active in a political campaign to form what he describes as a "civilian-military alliance" in opposition to some Menem policies.

The passing-over of Gen Skalany is likely to be used by army dissidents loyal to ex-Col Seineldin as fresh material in an intense propaganda campaign against both the army hierarchy and the government.

● Mr Roberto Dromi, Argentine Public Works Minister, has published a review of the financial situation of the country's state-run companies, which reveals that the 13 entities had the equivalent of a \$3.867bn deficit for 1989. Treasury support for the deficit amounted to \$991m.

The remaining \$2.876 has been added to the companies' outstanding debts. The foreign debt of the public sector companies now amounts to more than \$15.7bn (out of a total foreign debt of \$60bn-plus).

According to the report, the main reason for the deficit was a failure in 1989 to maintain public utility tariffs, which slumped to an average of 70.5 per cent of their historic level.

The telecommunications company ENTel, due to enter private ownership by October, is shown by Mr Dromi's report as the worst performer in 1989, with a final deficit of \$1.46bn, or one third of the total public sector deficit.

The 13 companies included in the report employ more than 290,000 people. A substantial number staged a demonstration on Wednesday against the government's privatisation scheme.

# Collor drive to make Congress toe reform line

By Ivo Dawnay in Rio de Janeiro

PRESIDENT Fernando Collor has begun a political drive to persuade the Brazilian Congress to adopt in full his radical economic reforms and anti-inflation measures, tabled last week.

In talks with leaders of the main political parties, he has insisted that even small adjustments could destroy the impact of the package, which included the freezing of \$100bn in personal and corporate assets.

The unstated message is that, if Congress meddles too much, the president will blame the legislature if his high-risk strategy to kill inflation and deregulate the economy fails.

If Congress does not approve the plan within 30 days, it will fall. This would not prevent it being retabled but that could create chaos.

In a bid to raise confidence, Mr Collor has tabled a measure prohibiting his own government from putting back the date, 18 months from now, when frozen funds must begin to be released. That at least looks certain to win approval.

# Steering towards safety

## Lionel Barber examines US efforts to secure wide-ranging arms cuts by the superpowers

WHEN Mr James Baker meets his Soviet counterpart Mr Eduard Shevardnadze next month in Washington, both men will have one goal in mind – completion before the end of the year of agreements to cut chemical, conventional and strategic nuclear weapons.

By most historical yardsticks, this is an ambitious arms control agenda. But it continues to pale beside the pace of political change in eastern Europe, where the disintegration of the Warsaw Pact has substantially reduced the military threat to the West.

This presents a dilemma for President George Bush and Mr Baker, his Secretary of State: Should they press for an even more ambitious agenda that responds more closely to the changes in the east, or should they encourage the Nato allies to nail down the deals within reach, with the promise of swift negotiations to follow?

Mr Bush has chosen the second course. This reflects his innate caution, but also a fear that the West might be distracted from the main prize – the conclusion of the Vienna talks on conventional forces in Europe (CFE), mandating a huge asymmetrical cut in Soviet troop levels.

Last January, Mr Bush, reacting to political pressure in the US and in Europe, suggested reducing US and Soviet forces in the central zone of the continent to 195,000 apiece, with the US allowed to station an extra 30,000 elsewhere in Europe. The proposal – not without its complications – was accepted last month by President Mikhail Gorbachev.

On chemical weapons, after talks in Moscow last February, both superpowers made rapid progress on a bilateral pact to destroy more than 75 per cent of their stocks, with agreement possible by their June summit in the US.

The two sides have been concurrently reiterating their goal of a multilateral Chemical Weapons Convention. The superpowers would reduce their stocks, as the State Department puts it, to "equal levels at a very small fraction of their present holdings over the first eight years of operation of the Convention." In the next two years, they would eliminate their stocks, provided all CW-capable nations complied with the convention.

On strategic weapons, both Mr Bush and Mr Baker have stuck to the principle of "locking in" an agreement which would reduce the numbers of intercontinental ballistic missiles. In Moscow, the main elements of a deal were agreed and an outline accord could be ready by June:

● Moscow confirmed it was dropping the linkage between a START agreement and continuing US compliance with the 1972 ABM treaty to limit anti-ballistic missile defences. However, a unilateral Soviet statement appears likely, since Moscow remains worried about development of a US Strategic Defence Initiative:

● The Soviets largely accepted a US proposal that each side simply declare the number of sea-launched cruise missiles it plans to deploy, rather than agree on specific numbers within START. These declarations, likely to cover a five-year deployment plan, would be poltically binding, Mr Baker said in Moscow:

● On air-launched cruise missiles, the two sides appear to have agreed on how to count these systems, but remain divided on what range limits will be applied. Moscow wants to adopt an approach which would limit the numbers and the range; the US wants larger numbers and longer ranges:

● On non-deployed or stored missiles, each side was reported to have agreed that numerical limits would apply only to mobile intercontinental missiles. Each side made separate progress on telemetry encryption (used to conceal data on missile testing).

Together, these deals or near-deals suggest Mr Bush's timetable may be within reach, and US officials note that the Soviets seem in a hurry to secure an agreement.

However, obstacles remain: The next round of high-level talks, on April 4-6 in Washington, are expected to deal with mobile missiles. It remains unclear, for example, if there would be a trade-off whereby both the mobile railway version of the US's MX multi-warhead missile and the Soviet SS-24 would be banned.

Some influential voices in Congress, such as that of Senator Sam Nunn, chairman of the Senate Armed Services Committee, are urging Mr Bush to back such a ban. Without it, Mr Nunn has warned, he will not support funding for the MX and the Midgetman missiles in the defence budget this year, which the administration says is vital not just for the US negotiating stance but also for modernisation of its strategic nuclear deterrent.

Mr Nunn has also raised objections, over conventional weapons, to the Bush-Gorbachev agreemment to limit US and Soviet forces in Europe. The senator argues that the limit of 30,000 outside the European central zone leaves the US vulnerable to the future whims of a reunited Germany. If, for example, Germany were to seek to remove some or all of the 195,000 US troops in the central zone, there is no obvious home for them on the continent.

These are not idle objections because all the US Senate is expected to exercise its constitutional prerogative to ratify each of the three major arms control agreements now under negotiation, although Mr Baker is said to believe the chemical weapons pact need not go before the Senate.

The administration will have to tread tactfully to avoid the impression of bulldozing the agreements through the upper chamber. Memories of President Carter's failure to secure Senate support for the SALT-2 treaty on strategic weapons remain strong.

In the last resort, the merit of the present agreements will depend on adjustments in US and Soviet strategic doctrine. The proposed START agreement, for example, does not cover strategic bombers, submarines or sea-launched cruise missiles – all of which will be outside the proposed target of 6,000 warheads.

Mr Spurgeon Keeny, a US former senior arms control negotiator, argues that official claims that START will reduce each side's arsenals by 50 per cent are wrong. These exceptions – coupled with the present US plan to deploy 132 B-2 Stealth bombers – mean that US missile arsenal would be reduced by 10 per cent only, he says.

US budgetary constraints make full B-2 deployment highly unlikely, but the calculation is a reminder of START's limitations.

TURMOIL IN TOKYO MARKETS

# Nikkei makes big institutions lose their cool

By Stefan Wagstyl in Tokyo

FOR MOST of the current crisis in the Japanese financial markets, Tokyo's big institutions, have kept their cool. Yesterday they showed signs of panic.

The rush of sell orders in the Tokyo stock market was so heavy in morning trading that scores of shares could find no buyers, sending the Nikkei index down by over 1,900 points to 28,830. The electronic screens which flash price changes on the stock exchange floor and around brokers' offices throughout Japan displayed gaping blanks alongside the names of many leading stocks – Bridgestone, NEC, Nissan, and others which did not trade for much of the morning.

These blanks are the symbol of panic in the Tokyo market where trading rules limit the maximum daily rise and fall in a stock.

By the end of the morning, prices began to move as a few investors at last began to trade. The Nikkei climbed back and closed the day a mere 963.85 points down at 29,843.34, its lowest level for over a year. But the day's experiences left fund managers shaking.

"Investors have lost their will to buy. They want to sell as much as possible," said Mr Kazuteru Matsuda, general manager of the capital markets division of Yasuda Trust & Banking. A fund manager at Mitsubishi Trust & Banking said: "After a 10,000-point fall in the Nikkei index (from its December peak of 38915) we can't use our charts for the first time since the 1974 oil shock. We are lost."

What began as a correction has now become a crash similar in scale to the one which shook world markets in October 1987. Its impact continues to be confined largely to Japan and Japanese investors, but its effects could spread overseas. With $1,000bn (£625bn) wiped off the value of the Tokyo stock market since the beginning of the year, Japanese investors have less money to invest at home and abroad.

They will almost certainly be more careful about where they put it.

The main consolation is that the damage to the Japanese economy will not be great – any more than the US economy suffered serious harm after October 1987. Japanese stockbroking companies and banks are almost certainly too large and too well-capitalised to run into financial difficulties.

When Mr Ryutaro Hashimoto, the Japanese Finance Minister, travels to the US today for a meeting with Mr Nicholas Brady, the Treasury Secretary, the weakness of Japanese stocks and bonds of the yen will top the agenda.

They will have much to discuss: the Nikkei equities index has fallen 24 per cent since the beginning of the year, more than it did in October 1987 and the biggest decline since the oil shock of 1974. The title of the world's biggest stock market has returned from Tokyo to New York. The Japanese yen is trading at its lowest level against the US dollar for more than three years. The yields on Japanese government bonds have exceeded 7.4 per cent for the first time 1984.

Yesterday's fall in stocks was triggered by a realisation that the most recent long-awaited increased in the Official Discount Rate, announced on Tuesday, had not restored any confidence in the yen. In the first full day of trading in Tokyo following the rate rise, the yen dropped like a stone yesterday morning to a low of Y155.45 against the dollar. The currency, bonds and equities chased each other downwards.

## Latest experience in the market left fund managers shaking

Eventually the authorities staunched the flow – the central bank bought yen in the foreign exchange markets, adding about $1bn to its haul of $12bn since the beginning of the year. The Ministry of Finance bought government bonds worth Y100bn for the sixth time this year. Life insurance companies and stockbrokers bought equities in the afternoon in what appeared to be a co-ordinated move.

However, the operations highlight the limitations rather than the power of the authorities to intervene. In contrast to October 1987, when they were able to mitigate the damage done to the Tokyo market, the Central Bank and the Finance Ministry have this year been unable to stop the plunge.

The main difference seems to be that October 1987 was largely a crisis of US origin; the impact on Japan was largely psychological. This time the roots of the crisis are almost wholly Japanese.

Japan is paying the price for the economic policies it has followed since signing in September 1985 the Plaza Accord on currencies. In order to stimulate domestic demand – as agreed with the US and other G-7 countries, the Japanese authorities let interest rates fall, taking the Official Discount Rate down to a historic low of 2.5 per cent. The result was a surge in money supply growth which fuelled an unprecedented explosion in stock market and land prices.

Since last spring, the Bank of Japan has been trying to put things right by raising interest rates in the wake of foreign increases. But its room for manoeuvre has been limited by opposition from the Finance Ministry, which fears high interest rates may hit growth.

# Japanese count the cost of capital market falls

**Ian Rodger** finds a desire to return to the virtuous circle of a strong yen leading to low interest rates

MR Shinichiro Watari, the Rolls-Royce motor car distributor in Japan, has put all his salesmen on red alert.

In the wake of the surge in Japanese interest rates and the rapid slide in Japanese share prices, Mr Watari wants to hear instantly of the slightest suggestion that these events are making potential buyers hesitate about parting with the millions of yen required to buy one of his cars.

If he hears of such a tendency, he will probably begin to reduce his very expensive stocks. And if that process became widespread in Japan's booming retail sector, it could send the economy into a tailspin.

"I am worried, but so far there has been no indication whatsoever of a downturn," Mr Watari said yesterday.

That, it would seem, applies to the Japanese economy as a whole, although economists are generally agreed that the sudden dramatic deterioration of capital markets in the past two months will soon begin to have an impact.

"There is still no significant statistical change, but perhaps our feelings have changed," Mr Masanori Miyota, an economist at the Industrial Bank of Japan said. Mr Miyota said he was now looking for real GNP growth this year of "around 4 per cent." Until this week, however, the consensus among Japanese economists was closer to 4.5 per cent.

If that turns out to be the extent of the damage, the managers of the Japanese economy will be pleased. Their main concern in recent months has been over a possible resurgence of inflation. The economy has been growing at a rate above its long-term potential, which is thought to be about 4 per cent, and labour shortages have become acute in many sectors.

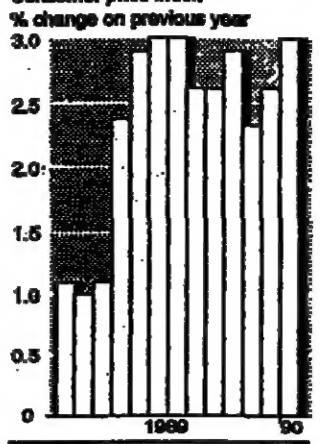
Inflation remains a prime worry, largely because of the persistent weakness of the yen, but economists' attentions are now turning more to the prospects for the two forces that have been driving the economy forward for the past two years, corporate investment and consumer spending.

Specifically, will the rapid rise in interest rates – long-term yields have risen two full percentage points since December to about 7. 4 per cent - and the 24 per cent fall in the Tokyo stock market cause companies to rein in ambitious capital spending plans? Not only is borrowing now more expensive, the stock market slump means that companies are no longer able to raise equity-related finance as easily or cheaply as they could a few weeks ago. Yesterday, six more companies announced that they were cancelling equity-related issues.

**Japan**

Consumer price index

% change on previous year




Second, will the fall in stock prices affect personal wealth, either real or perceived, sufficiently to cool the rapid pace of consumer spending?

Recent forecasts of corporate capital spending growth for the 1990-91 fiscal year have ranged from 8.5 to 9 per cent, indicating that a significant decline from the booming 17.4 per cent rise in the current fiscal year was already in store, although the actual level is still very high, coming after three years of very strong growth. Mr Paul Summerville, an economist at Jardine Fleming Securities in Tokyo, argues that corporate capital spending, especially by large companies, will remain strong partly because much of it is aimed at improving competitiveness, both at home and abroad.

Smaller companies, however, could soon have more difficulties raising funds. "At this rate, things are okay, but 10 per cent would be a problem."

Mr Peter Morgan of Barclays de Zoete Wedd in Tokyo is less sanguine, and believes that there could be a considerable drop from the 18 per cent annual rate of growth in capital spending recorded in the fourth quarter of last year.

As for consumer spending, the annual spring wage round is putting big (for Japan) increases of 6 per cent or more into workers' pockets and the labour shortage means that jobs remain easy to find. Thus, there is little danger at the moment that any real drop in personal wealth would dampen spending. However, as many economists point out, if people feel that they are poorer, they are likely to spend less and save more.

"I think 30,000 (on the Nikkei average of leading shares on the Tokyo Stock Exchange) may be the threshold. Below that, consumers may pull in their horns," said Mr Masaru Yoshitomi, director general of the Economic Research Institute of the government's Economic Planning Agency.

A more murky question is whether the stock market fall will put downward pressure on Japan's bloated land prices. This could happen if a significant amount of speculative land purchases have been made using now devalued share portfolios as collateral. So far, there is no sign of anxiety about the financial system. ("Would the same be true in America or the UK if the stock market had fallen by a quarter?" one Japanese economist wondered yesterday. )

But there have been rumours about marginal,non-bank financial institutions being in trouble because of excessive land speculation. If land prices did fall significantly, economists believe that consumers would react immediately by bolstering their savings.

Much depends on the duration of the current trend towards high interest rates. "I think we are at the end of the post-Plaza world," Mr Summerville says. "Japanese rates are now getting back on a par with others and the yen will have to earn its way." If he is right, the potential impact is enormous. The much admired long-term attitude to investments taken by Japanese manufacturers has been made possible to a large extent by the lower cost of capital in Japan. If that advantage disappears, Japanese companies may have to re-think their strategies.

However, Mr Yoshitomi insists that the current convergence of international interest rates is merely a temporary phenomenon caused by the unexpected weakness of the yen. "Our current surplus is already less than 1.5 per cent of GNP and more than 90 per cent of it is being absorbed by direct investment abroad." He says there is no precedent for this situation, one consequence of which is that there is no demand for the yen. Normally, the yen's weakness would lead to higher Japanese exports which would cause the currency to rise. Mr Yoshitomi thinks that will happen, and that international interest rates differences will widen again to take account of productivity and inflation differentials in different countries.

If he is right, the Japanese economy could soon rediscover the virtuous circle of a rising currency keeping interest rates and inflation at bay. But others suspect that Japanese exports will remain depressed for some time as manufacturers, guided by government officials, seek to avoid trade friction with the US.

# NTT president feels wrath of shareholders

By Ian Rodger in Tokyo

MR Hisashi Shinto, the former chairman of Nippon Telegraph and Telephone (NTT), once predicted that "the wrath of God" would descend on those who had driven up Tokyo share prices, especially that of NTT, to ridiculous heights.

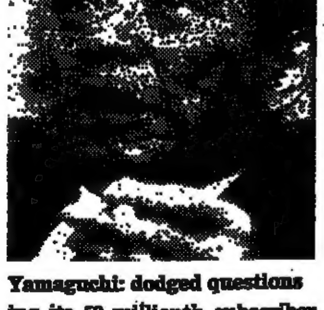
At their peak soon after the flotation in January, 1987, NTT shares were worth more than Y3m (£11,875) apiece. By yesterday, they had tumbled to Y1.06m, well below the initial issue price of Y1.19m.

That means every NTT shareholder, many of whom ventured into the stock market for the first time to buy the shares, is now sitting on a loss. Mr Haruo Yamaguchi, president of the giant telecommunications utility, is reaping the whirlwind, receiving endless complaints from unhappy shareholders.

"It is very unfortunate that we have come to the present situation. Maybe something was wrong all along," Mr Yamaguchi said glumly yesterday at a meeting with foreign journalists.

Apart from that, he was at a loss to explain the decline, emphasising that NTT's business performance had not worsened, and he tried to take comfort from the thought that it was "not just NTT's stock price that has gone down, we are caught up in a major current".

Meanwhile, NTT was doing everything in its power to try to push up the price of its shares and mollify its angry shareholders. For example, the directors are hoping to win government approval to raise the annual dividend this year to 12 per cent of par value from the customary 10 per cent, ostensibly in recognition of the 100th anniversary of telecommunications in Japan, the fifth anniversary of NTT's privatisation and the company acquiring its 50 millionth subscriber last year. The directors have also been promoting shareholder perquisites, such as free telephone cards.



Yamaguchi: dodged questions

For the longer term, the company, backed by the Ministry of Finance, is urging that foreigners be allowed to own NTT shares, but the Ministry of Posts and Telecommunications (MPT) continues to resist such heretical ideas and these days there would probably be few foreign buyers.

Mr Yamaguchi did not reply directly to a question about whether the directors would like to split the extraordinarily heavy shares so that their prices would be more in the normal Y1,000 range of most Japanese blue chip shares. "We are studying many possibilities," he said.

He also dodged a question about whether the depressed share price was helping the company in its campaign to stop an MPT drive to break it up into local and long-distance companies. "Rather than say whether or not I agree, let me say that this issue should be discussed on its merits completely independent of the share price question."

# Black S African leaders condemn visit by Baker

**By Patti Waldmeir** in Johannesburg

BLACK South African leaders yesterday condemned the current visit to the country by Mr James Baker, the US Secretary of State, saying Mr Baker had *given Pretoria a seal of* approval it did not deserve.

However, radical blacks appear to be fighting a losing battle to see diplomatic isolation imposed on South Africa.

Mr Baker's visit is the second by a senior Western official this week: Mr Douglas Hurd, the British Foreign Secretary, met Mr F W Klerk, the President, in Cape Town on Monday.

In what has become the most intensive diplomatic round in South Africa's post-apartheid history, talks with an extraordinary range of senior ministers from around the world continued during the Namibian independence celebrations in Windhoek on Wednesday.

Mr de Klerk's meetings included sessions with Mr Eduard Shevardnadze, the Soviet Foreign Minister, and Mr Hans-Dietrich Genscher, the West German Foreign Minister.

The South African President also held talks with President Hosni Mubarak of Egypt, President José Eduardo dos Santos of Angola, President Kenneth Kaunda, the Zambian leader and Mozambique's President Joaquim Chissano.

The net effect was to undermine ANC efforts to isolate Pretoria, which continued yesterday. A group of black opposition politicians, led by Mr Govan Mbeki, a prominent communist and member of the African National Congress (ANC), called on the US to shun the de Klerk Government until it was clear that moves to dismantle apartheid were irreversible. Their response came after a meeting with Mr Baker in Cape Town.

On Wednesday Mr Nelson Mandela, ANC deputy president, delivered a similar hardline message when he met Mr Baker in Windhoek. He said the US was in danger of sending a false signal to the world about Pretoria's reforms, when in fact the pillars of apartheid remained standing.

Mr Mandela held numerous meetings with officials of foreign governments while in Windhoek, but did not hold talks with Mr Hurd, who also attended the independence celebrations. The two men met briefly during an independence banquet on Wednesday night.

Mr Mandela offered a longer meeting yesterday, but Mr Hurd declined, saying he was due to return to Britain.

It was thought likely that Mr Mandela would meet Mr Hurd during a planned visit to Britain in April, and British Foreign Office officials are not ruling out a meeting with Mrs Margaret Thatcher, the Prime Minister.

## ANC prepares ground for talks

THREE senior African National Congress (ANC) officials flew to South Africa yes*terday to prepare the ground* for talks next month with Pretoria, Mike Hall writes from Lusaka.

Mr Jacob Zuma, an ANC executive member, led the group which included a lawyer and a member of the movement's security department.

Mr Zuma, reputed to be the ANC's director of military intelligence, once served 10 years in a South African prison for sabotage. Talks between the South African Government and an ANC delegation led by Nelson Mandela are scheduled *for April 11.*

They will aim to remove the obstacles to full-scale negotiations.

The ANC wants Pretoria to release all political prisoners, declare an amnesty for exiles, repeal "repressive" laws, withdraw troops from the townships and lift the state of emergency.

The rest of the delegation is expected to leave Lusaka in the next few days.

# Students change the face of Taiwanese politics

**John Elliott** reports on a peaceful end to a Chinese pro-democracy protest that shook the old guard

STUDENTS were sweeping clean the Chiang Kai-shek memorial square in central Taipei yesterday. Plastic bags were filled with the rubbish from a four-day mass sit-in by 3,000 students, sleeping bags were gathered in massive piles, and slogans washed off walls.

Twelve hours earlier the students had watched a video recording of an hour's discussion between 50 of their representatives and Mr Lee Teng-hui who had just been elected the country's President. Now the protest is over.

But, together with reformist politicians in both the ruling Kuomintang (KMT) and the main opposition party grouping, the Democratic Progressive Party (DPP), the students have undoubtedly changed the face of Taiwan politics by hastening the prospect of democratic reforms being brought in.

Now attention is turning to a national affairs conference which the President has called in a successful bid to calm what could have become a *national crisis.*

Following his election for a six-year term on Wednesday, his vice president runing mate, Mr Li Yuan-zu, was elected unopposed yesterday. The main function of the confer*ence is to flush out ideas and* build up a public debate that is vigorous enough to push conservatives into the background and produce a timetable for several years of reforms. President Lee has said that it will *deal not only with constitu*tional reform, but also with possible changes in Taiwan's tortuous relationship with the mainland Chinese Government. The emerging agenda involves gradual moves *towards more democracy and a* possible western parliamentary model. There is also the possibility of a shift from a presidential to cabinet form of government. The agenda includes:

- The retirement of about 690 veteran members of the National Assembly and 145 in the Legislative Yuan (parliament), who have held office for more than 40 years. Both bodies could then be filled by direct elections.

There might be a minority of national members symbolically replacing the existing veterans, who notionally represent of mainland China constituencies.

- Introduction of direct elections for the President, who at present is indirectly elected by the National Assembly.
- Changing the balance of power between the currently strong President and a weak Cabinet and Prime Minister.

Ministerial posts might be filled with Legislative Yuan members instead of outside appointees.

- Within the KMT, President Lee might hand over the chairmanship of the party to the Prime Minister, Mr Lee Huan. There is also pressure on the President to adopt a less aloof and more consultative personal style.
- Holding direct elections for the mayors of Taipei and Kaohsiung, Taiwan's second city, who are at present appointed. Such changes will *run into substantial* opposition from the existing group of power brokers, as well as the others who do not want to see the consequential changes that would be needed to Taiwan's 40-year-old "One China" philosophy, under which it insists it is the real ruler of the mainland.

Government spokesmen insist that there is no question of Taiwan either declaring itself formally independent of China, or of officially recognising the Peking regime.

But there will be pressure for abolition, or at least drastic amendment, of what are known as the Special Provisions. These operate a formal state of emergency in Taiwan because of Peking's "communist rebellion".

Businessmen also want Taiwan's boycott of Peking to be softened, or at least fudged, so that growing investment and trade links with the mainland can be formalised.

Mr Shau-Kong Jaw, a leading member of the KMT's Young Turks reformist group, says he would like Taiwan to abandon its "three nos" policy under which the government refuses to "negotiate, compromise or make contact" with Peking.

Students celebrating the success of their sit-in as they marched back to campus in Taipei yesterday

# Beirut crisis over bank row ends

**By Lara Marlowe** in West Beirut

A COMPROMISE engineered by Lebanon's President Elias Hrawi has averted a week-long government crisis over a row between the Interior Minister and the head of the Central Bank.

Mr Elias Khazen, the Interior Minister, yesterday presented a letter of resignation to the President and the Prime Minister, Mr Selim el-Hoss, but President Hrawi refused to accept the resignation. But the internationally recognised government of Lebanon none the less remains beset with problems.

Mr el-Hoss had demanded the Interior Minister's departure after Mr Khazen despatched four policemen and his personal bodyguards to arrest Dr Edmond Naim, the governor of Lebanon's Central Bank, on March 15. The governor was manhandled by the men, one of his assistants was beaten over the head with a rifle and shooting broke out inside the bank.

Dr Naim is now reported to have released the £960,000 which Mr Khazen contracted to pay Thomas de la Rueof London for the printing of 1m Lebanese passports.

The contract was at the origin of the dispute with Dr Naim.

Beirut newspapers announced yesterday that the "Khazen affair" was closed. The Hrawi Government, which was formed five months ago under the provisions of the Taif peace accords, has had great difficulty in exercising its authority. President Hrawi has not been able to take possession of the presidential Palace at Baabda or persuade 15,000 troops still loyal to Christian General Michel Aoun to serve under his commander-in-chief, General Emile Lahoud.

President Hrawi's government has not been able to enact a "security plan" drawn up in Damascus. Many citizens of West Beirut reproach the government for its inability to provide running water or electricity since these utilities were cut by Gen Aoun at the end of January.

President Hrawi was apparently eager to forestall Mr Khazen's resignation because he has already lost two of the 14 Cabinet ministers named five months ago.

Dr Georges Saadeh, the president of the Phalange Party, resigned without ever taking up his position.

# Hungarians halt Jewish exodus flights

**By Hugh Carnegy** in Jerusalem

THE Hungarian airline Malev has halted extra flights to ferry emigrant Soviet Jews from Moscow to Tel Aviv after threats by an extremist Islamic group opposed to the exodus.

Censorship imposed by the Israeli authorities on details of the immigrant traffic prevented publication of the numbers hit by the Hungarian decision. But Israel has relied heavily on indirect flights via Budapest, Bucharest and other east European centres to transport the immigrants – expected to total up to 100,000 this year – because of the lack of direct Israeli-Soviet air links.

The Jewish Agency, which co-ordinates the influx, said it was dismayed by Malev's action and was trying to persuade the Hungarians to reverse it. It apparently does not effect scheduled Moscow-Budapest flights but hits special flights for Jews heading for Israel. Malev acted after a threat to attack airlines and airports involved in the traffic issued earlier this month in Beirut by Islamic Jihad for the Liberation of Palestine.

# Algeria to lift foreign investment restrictions

A REVOLUTIONARY finance law introduced in Algeria's parliament yesterday could allow total foreign ownership of investment projects for the first time since independence in 1962, Reuter reports from Algiers.

It would also allow foreign banks and investment institutions to open branches in the country.

Mr Ghazi Hedouci, the Economy Minister, told Parliament it was the last and most important in a series of economic reforms designed to pull the country out of crisis.

Saddled with a $24bn (£15bn) foreign debt, hit by falling oil and gas revenues and troubled by social unrest, socialist Algeria proposes *to give for*eign investors unprecedented freedoms.

"Non-residents are authorised to transfer capital into Algeria to finance any economic activity not explicitly reserved for the state," says the draft law.

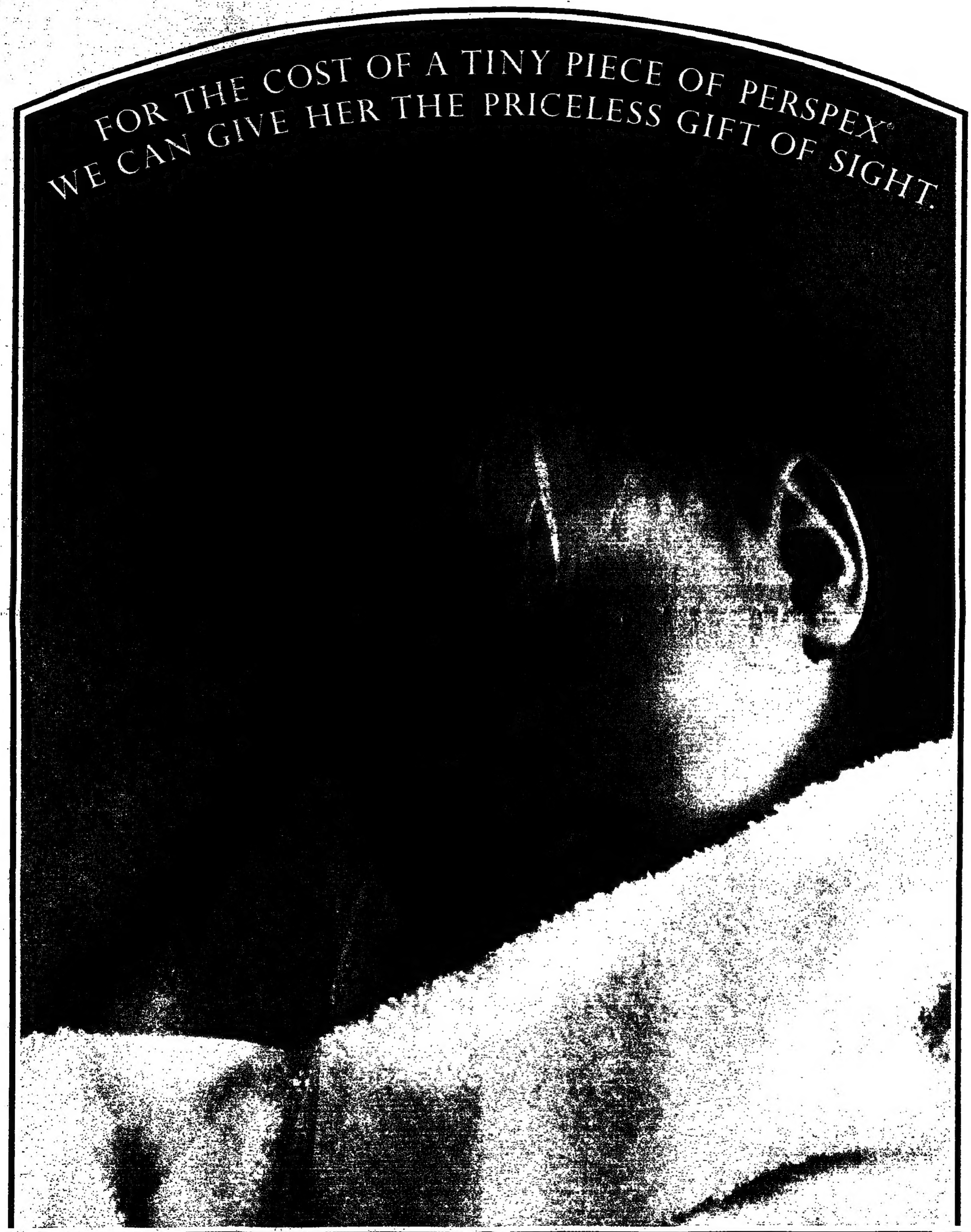
Under current law foreign investment can only be in the framework of joint ventures 51 per cent controlled by an Algerian state partner.

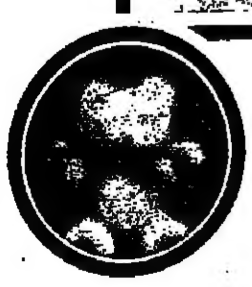
The draft law says foreign investment must be directed into projects that create jobs and transfer technology. No project can result in a net loss of hard currency, and foreign investors cannot enjoy privileges not available to Algerians. Outside investors can not monopolise an economic sector and capital transfers would be subject to the control of a powerful Council of Money and Credit.

Despite these restrictions the draft law is revolutionary in a country that, unlike neighbouring Morocco and Tunisia, has long resisted foreign investment as a threat to national sovereignty.

The Government was forced to withdraw a revised joint venture law from Parliament last July after deputies complained it offered too many *advantages to the foreign* partner. Parliament's economic commission urged adoption of the draft's key articles and deputies said it would be put up for a vote on March 26 or 27.

"The country now suffers from the piling up of debt which represents the main obstacle to pushing development activity forward," Mr Hedouci said. He said hard currency revenues this year would amount to some $10bn, but $7bn would be spent meeting debt payments, leaving barely enough for food and other essential imports.



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## OVERSEAS NEWS

# UN mediates in Western Sahara

**Francis Ghiles** examines Javier Perez de Cuellar's chances of breaking a deadlock between the Polisario Front and Morocco

Finding a solution to the conflict over the status of the former Spanish colony of the Western Sahara which has, for the past 15 years pitted Morocco against the Polisario Front, is proving as elusive as ever.

The current phase of the dispute goes back to February 26 1976, when Spanish adminstration of the phosphate-rich territory formally came to an end. The next day an assembly convened by the Front proclaimed the independence of the Sahrawi Arab Democratic Republic in defiance of Morocco's claim on the territory. The war between Morocco and the Polisario has continued ever since, despite repeated UN initiatives.

Mr Javier Perez de Cuellar, UN Secretary-General, is due to arrive in Morocco today on the first leg of a visit to North Africa intended to breathe fresh life into the mediation efforts he launched 18 months ago. The efforts stalled last October after Polisario guerrillas launched heavy attacks against the more than 100,000 Moroccan forces stationed in the territory, mainly to protect its vital phosphate mines. Hundreds died on both sides.


Polisario Front nomads pause during a lull in their guerrilla war with Morocco for control of the mineral rich Western Sahara

Earlier this year, Mr Perez de Cuellar appointed a new special envoy, senior Swiss diplomat Mr Johannes Manz, to try to bring the two sides to the negotiating table. It is, however far from clear that King Hassan of Morocco wishes to negotiate.

After meeting Polisario leaders in Marrakesh 14 months ago, the monarch insisted he was prepared "to discuss but not to negotiate" with the Saharans. Polisario leaders - who the King until then had referred to as "Algerian mercenaries" and later as "wayward subjects" – argued that meeting the King was tantamount to "negotiating."

Despite the argument, which at first seemed purely semantic, senior UN officials and many observers agreed that the omens were good.

By June however, despite a visit by Mr Perez de Cuellar to Rabat, Algiers and the Polisario refugee camps, relations had soured. *Polisario's offer* to free 2,000 Moroccan prisoners was turned down by Morocco which told the Red Cross and the then Italian Foreign Minister, Mr Giulio Andreotti, (who had played an important behind the scenes role) that it "did not form part of the UN peace proposals."

Disagreement among Polisario leaders became public in the summer when one of the movement's important figures, Mr Omar Hadrami, switched his allegiance to King Hassan.

The Polisario Front's "Saharan Arab Democratic Republic", proclaimed 14 years ago, is *now recognised by 74 countries*. It took its seat at the Organisation of African Unity (OAU), in 1984. King Hassan and the Polisario agree on the need for a referendum in which the people of Western *Sahara would choose between* independence and some form of association with Morocco.

But there are sharp differences about the conditions in which it should take place.

The Saharan leader, Mr Mohammed Abdelaziz, recently took a harder line than hitherto over the need for all Moroccan officials and military personnel to withdraw before the vote.

For the Moroccans there is no question of their presence being significantly reduced, even momentarily. As for the question of who would be entitled to vote - Polisario claims that more than 165,000 "refugees" are living in Algeria, a figure disputed by Morocco - *much progress* has been made since last year.

Algerian leaders undoubtedly want a solution to the Sahara conflict, and are anxious to build on recently improved relations with Morocco.

But that does not mean they are about to ditch Polisario, which they have steadfastly supported.

The founding treaty of the Arab Maghreb Union – signed in February 1989 by Algeria, Libya, Mauritania, Morocco and Tunisia – forbids any of its members from tolerating activities detrimental to the security of another.

But Polisario attacks within the Western Sahara cannot be construed as violating that *treaty so long as Morocco's* presence in the territory has not been legitimised by the UN and the OAU.

# Tunisia proposes EC recycles African debt

TUNISIAN Foreign Minister Ismail Khelil proposed yesterday that the European Community recycle debts repaid by North African countries and use them to tackle the problem of youth unemployment in the region.

Mr Khelil told a seminar in Tunis that youth unemployment was the root cause of migration from the countryside to North African cities and then from North Africa to Europe.

"The real remedy to the problem of emigration is not, in my opinion, to adopt policies to control people administratively, but is linked instead to a question of regional development and job creation," he said.

North African countries have traditionally seen migration to Europe as a short-term answer to the problem of local unemployment and are concerned at declining demand for North African workers, coupled with tighter immigration rules.

The three largest North African countries, Algeria, Morocco and Tunisia, have unemployment rates of at least 15 per cent, heavily weighted towards the young end of the population.

Jobless youngsters are seen as a factor for political instability and usually make up the majority in any riots or street demonstrations.

Mr Khelil said. "One can imagine the creation of a Maghreb-European Community fund which would be fed in part by debt repayments according to rules to be jointly defined.

"This fund would serve to finance regional development programmes and to combat youth unemployment."


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Opposition Labour Party on course for historic poll victory in the English Midlands

# Setback over tax adds to by-election gloom

By Philip Stephens, Political Editor

AN embarassing climdown over the new local government poll tax delivered a further jolt to the Government's shaky confidence yesterday as the opposition Labour Party prepared to celebrate a spectacular victory in what is seen as a crucial by-election.

After a series of hurried ministerial meetings, the Government announced that it would provide £4m for poll tax payers in Scotland to ensure that they would not be discriminated against by changes to the rebate scheme unveiled in this week's budget.

The announcement followed intense speculation at Westminster that Mr Malcolm Rifkind, the Scottish Secretary, had been prepared to resign if the concession had not been agreed by Mrs Margaret Thatcher, the Prime Minister.

It came as Labour confidently predicted that the result due early today of the Mid-Staffordshire by-election would show that it would comfortably overturn what would once have been an impregnable Government majority of 14,600.

That would represent its largest victory since it took Liverpool, Wavertree from the Conservatives in 1935 and would overshadow the budget and deepen the gloom among Tory MPs in the run up to the May local elections.

In apparent anticipation of renewed speculation that the party's troubles might prompt a challenge to Mrs Margaret Thatcher, the executive of the party's backbench 1922 committee last night announced new rules for the conduct of the annual leadership election.

The executive said that in future the two sponsors required by any candidate in the contest would be obliged to reveal their identity. The

Malcolm Rifkind

change, which follows the decision last year of Sir Anthony Meyer to challenge Mrs Thatcher, is designed to deter any further contests before the general election. Sir Anthony, whose sponsors remained anonymous, was subsequently forced by his constituency party to step down as a candidate at the general election.

The MP rejected a suggestion, however, that the number of sponsors required for any challenge be increased to 10 per cent of the 374-strong parliamentary party. Senior members warned that such a change could convey the impression that the party was panicking.

The climbdown over the poll tax, though insignificant in terms of the amount of money involved, heightened the anxiety of the Government's supporters at Westminster that it had become dangerously "accident prone".

Senior ministers openly acknowledged that they had been caught completely unawares by the fury which followed the announcement of a more generous rebate system when the tax comes into effect in England and Wales next month.

Amid almost universal condemnation of the Government's stance in Scotland, many Tory MPs joined with the opposition in demanding that the benefits be made retrospective there, where the poll tax has been in operation for nearly a year.

Mrs Thatcher, who was taunted in the House of Commons over the issue by Mr Neil Kinnock, the Labour leader, looked distinctly unsettled when she announced the concession. She insisted that it set no precedents.

Privately ministers conceded that they had simply misjudged the situation and had been forced to give what looked dangerously like a "bribe" only hours after they had insisted no such payment was possible.

# The Scottish dimension in UK politics

## Poll tax aggravates ancient misunderstandings write Alison Smith and James Buxton

The Government's failure to anticipate anger in Edinburgh and Glasgow over the new local government poll tax, provides a graphic example of its inability to comprehend the Scottish dimension in British politics.

The budget announcement of financial concessions to poll tax payers in England and Wales failed to take into account the fact that the tax had already been levied north of the border: the latest *faux pas* in Westminster's relations with the Scots.

Even after yesterday's concession of "ex gratia" payments to some Scottish poll tax payers for 1989/90, there is room to doubt London's handling of the complex, and often passionate, issues in the far north of Britain.

While Mr Teddy Taylor, the Tory MP for Southend East, attributed the misjudgement to the secrecy of budget decisions even within Government, opposition MPs see it as symptomatic of the Government's handling of Scottish affairs in general.

Arguably both the Government and the Scots have suffered from the survival of only 10 Tory MPs in Scotland in 1987 among 72 Scottish seats. 49 are Labour, 9 are Liberal Democrat and four are Scottish National Party.

Four of the Tory MPs are ministers, and Mr George Younger, the former defence secretary, has been effectively a "non-player", especially since announcing his decision not to stand at the next election.

Of the five other Scottish Tory backbenchers, Scottish lobbying organisations say only two are useful channels of information. But because Mr Alick Buchanan-Smith and Mr Allan Stewart cannot be pestered on every issue, the organisations say that Scottish ministers are partially cut off from Scottish opinion.

Mr Hamish Morrison, head of the Scottish Council Development and Industry which lobbies for economic development, says that the lack of MPs means that there are too few people to deal with ministers, as well as to press the case for Scotland with fellow Tory MPs.

Though Mr Dewar will not be drawn into personal criticism of Mr Rifkind, others contrast his performance unfavourably with that of his predecessor, Mr Younger, or Mr Peter Walker, the Welsh Secretary.

Mr Dewar speaks of him as a "prisoner", and says that he has been undermined by the appointment of Mr Michael Forsyth, one of his junior ministers, as chairman of the Tory party in Scotland.

Mr Jim Sillars, the Scottish National Party MP for Glasgow Govan, is more outspoken about Mr Rifkind's position:"He's a seriously disabled Secretary of State in Scotland and, I suspect, in Cabinet as well".

Mr Rifkind is seen as a brilliant advocate and an attractive figure, but also as lacking the political weight to stand up to senior coleagues. He is relatively young (43), and this is his first cabinet post.

The combination of a minister who is not "street-wise" and a minimal Government backbench leads to complaints that the Scottish Office "cannot deliver". One senior figure in the Scottish financial community said that the most recent example of this was the delay in floating the two Scottish electricity companies - despite the fact that they have been ready for privatisation for months.

The list of such issues where Scottish ministers are perceived to have failed also includes education, when in 1988 a leaked letter from Downing Street insisted that Scotland would have powers for schools to be self-governing whether they were wanted or not.

Only the level of expenditure and the Government's decision not to change British summertime arrangements, are readily cited even by loyal Tories as recent Scottish ministerial successes.

But opposition MPs' belief that Scottish interests are either forgotten or deliberately opposed, extends to MPs as well as to ministers.

The refusal of the Government to set up a select committee of MPs on Scottish affairs arose originally because Scottish Tory backbenchers refused to serve on that committee.

And there is still resentment that while just over a dozen Tory MPs voted against the second reading of the bill imposing the poll tax in England and Wales, none of them rebelled on the earlier legislation introducing it in Scotland.

The participation of English MPs in Scottish questions in the Commons is also seen as an insult, eating away at time which is already in short supply.

Though Scottish MPs may find it difficult to convince Westminster colleagues of the vehemence of Scottish opinion, as the election approaches, the Tory strategy of more Thatcherism for those who seem to like it least, may yield to the more responsive attitude shown by Mr Rifkind yesterday.

Even so, as Mr Dewar put it: "Judging from the reaction over the last few days 'We in Scotland' - to use the phrase the Prime Minister is so fond of - would have anyone left".

# Bank opens debate on development of money supply data

By Peter Norman, Economics Correspondent

THE Bank of England yesterday initiated a public debate aimed at developing clearer monetary aggregates to help guide economic policy making in Britain.

It invited comments by the end of May on how best to define money other than M0, the narrow measure of money supply that consists mainly of notes and coin in circulation, the growth of which is targeted by the Treasury.

The Bank exercise was prompted in part by the impact on UK monetary statistics of the conversion to bank status last year of Abbey National, the former building society.

It also aims to take account of the many new products introduced in recent years by banks, building societies and other financial institutions, such as interest bearing current accounts, as well as changes in regulations for sterling commercial paper and other sterling capital market issues in the 1989 budget.

The Bank yesterday indicated in a discussion document its preference for a version of M2, the measure of notes, coin and transaction balances with banks and building societies, that would be compatible with M4, the broad measure of money supply that embraces bank and building society deposits, including sterling certificates of deposit and other sterling paper issues of up to five years maturity.

It also suggested that thought should be given to developing a measure of money held by the personal sector.

The Bank took issue with those analysts in the City who have argued for weighted measures of money known as Divisia indices, saying there were considerable difficulties in the construction and interpretation of these indices.

*Monetary Aggregates in a Changing Environment: a Statistical Discussion Paper, available from the Economics Division, Bank of England, London EC2R 8AH.*

# Academics set to be forced into loans plan

By Alison Smith

ACADEMIC institutions are to be forced by law to take part in administering the Government's plans for loans to top up student maintenance grants.

Mr John MacGregor, Education Secretary, said yesterday the institutions would have to make application forms available, identify students and certify their eligibility for loans and loan entitlement.

But students would then apply for loans directly to the Student Loans Company, through the post.

The original plans for the scheme were thrown into disarray in December when the main clearing banks pulled out, and the Government had to set up its own Student Loans Company.

After that, the academic institutions said they would participate only if obliged by law. But they have said they would co-operate if required to do so.

The Committee of Vice-Chancellors and Principals, a senior academic body, has consistently pressed the case for some form of graduate tax, as an alternative to the loans scheme.

The announcement means that the Government will have to amend the Education (Student Loans) Bill, which will be debated further on Monday in the House of Lords.

The detailed arrangements will be discussed with representatives of the institutions shortly, and will be set out in regulations.

The bill will not now receive Royal Assent before the end of March but should still become law by the time Parliament starts the Easter recess early next month.

# Cold War spies urged to embrace humanism

By John Lloyd, East Europe Editor

THE Soviet Embassy in London yesterday proposed that the security services of East and West should be guided by the rules of logic, humanism and common sense.

This unprecedented suggestion followed two other surprises.

First Mr Grigoriy Karasin, a counsellor at the embassy, admitted that one of his predecessors had been a senior official of the Committee of State Security, or KGB. Then he went on to say that even so, he was not important.

The occasion for these announcements was a press conference called to respond to articles by and interviews with Mr Oleg Gordievsky, the former KGB station chief in London, who was an informant to Danish and British intelligence for more than a decade before he defected to the UK in 1985. He was smuggled out of the Soviet Union by British agents, having been recalled, under suspicion, for intensive interrogation.

Mr Gordievsky has emerged in the past three months to give interviews and write articles.

Mr Karasin's main object, he said, was to scotch the "exploitation" of Mr Gordievsky by "some in Britain who don't favour the present developments in the Soviet-British relations and are trying to cast a shadow over constructive dialogue between Moscow and London."

He said that Mr Gordievsky was still technically a Soviet citizen, but that his wife, still living in Moscow with their two children, had divorced him.

Asked if he would confirm that Mr Gordievsky had been a spy, he said reasonably that "it would be foolish to deny it." Everybody had spies he said, and of course "there are different means of acquiring interesting information - like meeting people."

But the Soviet "representatives" here now were in no cases "engaged in harming the national security interests of the UK or in harming bilateral relations."

GUINNESS TRIAL

# Lawyers were 'thorn in side' to Saunders

By Raymond Hughes, Law Courts Correspondent

CITY of London solicitors Freshfields were replaced as Guinness's lawyers because Mr Ernest Saunders, the company's chairman and chief executive, wanted to remove "lawyers who were increasingly becoming a thorn in his side," it was claimed at the Guinness trial yesterday.

The claim was made by Mr Ian Taylor, the Freshfields partner who acted for Guinness in relation to the Department of Trade and Industry for part of the investigation into the company.

Mr Saunders, Mr Gerald Ronson, Heron group chairman, Mr Anthony Parnes, a City stockbroker, and Sir Jack Lyons, the millionaire financier, deny charges arising from an allegedly unlawful share support operation mounted by Guiness during its takeover battle for Distillers in 1986.

Mr John Chadwick, prosecuting, said that Mr Saunders had said that Freshfields should be replaced and that when the mechanics of the handover by Freshfields to Kingsley Napley had been discussed Sir David Napley had suggested that the inspectors should be told Freshfields had resigned because of a conflict of interest. Mr Taylor said he had been angry at the suggestion: "I thought we had been replaced because we had insisted that Mr Saunders should have separate legal representation, that we had insisted that we should have access to an independent member of the board, and that Mr Saunders had sought to remove lawyers who were increasingly becoming a thorn in his side."

Cross-examined by Mr Richard Ferguson, QC, Mr Taylor said he had pressed Mr Roux for information about the takeover expenses, particularly in relation to £25m of invoices which, he said, had first been mentioned to him by the Guinness auditors.

Mr Roux had not produced the information, Mr Taylor said. He had told Mr Taylor that he wanted the £25m to be seen in the context of the total takeover. Mr Taylor said he had told Mr Roux that the inspectors wanted the information, that Guinness had a legal obligation to provide it, and that the sooner Mr Roux let the company's lawyers see it the better.

The trial continues today.

## London hears verdict on East German power stations

By David Fishlock, Science Editor

EAST German power stations are in poor shape, often obsolete, uneconomic and devoid of any environmental control, a West German industrialist told British energy industry executives in London.

Dr Hans Kramer, chairman of the executive board of Steag, the Essen-based energy group, who had been in East Berlin earlier this week, told the Energy Industries Club that East Germany's dependence on lignite had left virtually irreparable scars on the countryside.

Of a total of 24,000 megawatts of East German power, 17,000 MW were fuelled by lignite ( brown coal), obtained by open-cast mining.

A uranium mining operation near Zwickau, run jointly by the USSR and East Germany, had left 40m tonnes of radioactive sludge lying unshielded in sand pits.

Dr Kramer appealed to West European energy industries to see economic aid for East Germany not as an opportunity to jockey for position, but "primarily as a humanitarian task for all of us".

Dr. Kramer said Steag was embarking on a DM1.2bn programme to develop a multi-fuel power station of about 500MW capacity, able to burn not only various grades of coal but fuels made from such wastes as refuse, sewage sludge, gases and oils.

It planned both to use it as a power generator and to market the technology, he said. The four-year project depended on the development of a new boiler large enough to accommodate fuels of low calorific value, but consuming them at a temperature high enough to completely destroy toxic wastes such as dioxins.

## Arson rise blamed partly on economic downturn

By Patrick Cockburn

ARSON is the main cause of big fires, the Fire Protection Association (FPA) said yesterday after analysing data on 176 fires in the 12 months to August 1989.

The Association of British Insurers (ABI) said the economic downturn was partly responsible for an increase in arson. It said small businessmen in difficulty sometimes burned down their own premises.

The ABI said it wanted to establish an arson bureau to monitor and suggest remedies against the deliberate burning down of premises.

There was a 24.5 per cent rise to £592m last year in the cost of damage caused by fires on commercial premises, the ABI said. Each quarter last year saw a surge in commercial and household fires, which caught insurance companies by surprise and which they were unable to explain.

Household losses showed a smaller increase from £170.9m to £200.9m in 1989, but companies say they now believe they are seeing a sharp increase in fraud in other areas, such as motor, construction and plant.

The ABI said that was best accounted for by the deteriorating economic climate.

Arson was the main single identifiable cause in 1989 of fires in the UK where losses were more than £250,000, according to the FPA.

In 39 per cent of the cases where the reason for the fire is known, arson was identified as the cause of the blaze. Malfunctioning electrical equipment was held responsible for 25 per cent of fires and cigarettes and matches for 11 per cent.

The figures come from a 12-month analysis of 176 fires between September 1988 and August 1989.

# Seeking a nation of shareholders

**Richard Waters** looks at moves to encourage the small investor

The abolition of stamp duty on share transactions, announced in the Budget on Tuesday, caps a series of initiatives which point to lower costs and a better deal for private shareholders.

But much more will need to be done before the nation of active capitalists of which the Tory party dreams comes to pass.

Superficially, share ownership figures seem to suggest that the battle has already been won. A survey from the Stock Exchange and Treasury this week showed that one in four adults owns shares, up from one in five a year ago, or 11m people.

Millions of new investors have been drawn in to direct equity investment by the privatisations of recent years, the growth in employee share schemes and the flotation of the Abbey National last year.

This bright picture is contradicted, however, by an overall fall in individual share ownership.

About 30 years ago individuals owned more than half of the stock market. Now they own just 20 per cent – considerably less even than the 28 per cent at the start of the 1980s.

The disparity arises because, while share ownership has spread wider, it has not spread deeper. The survey this week, and a similar exercise by the Confederation of British Industry last month, shows that 60 per cent of shareholders, or 6.6m people, own shares in only one company. Only 14 per cent have a portfolio of four of more companies.

The Stock Exchange, with one eye on the decline in the personal sector, has been considering ways to make share ownership – or at least, share dealing – more attractive.

After all, private clients, while owning a smaller proportion of shares, still contributed 47 per cent of the total commission income earned by stockbrokers last year, not much different from the 51 per cent of 1980. Without this source of income brokers would seize up.

One important initiative of the exchange – and one mentioned by the Chancellor in his Budget speech – is the development of paperless trading on the stock market through a system known as Taurus.

The Taurus system, which will remove the paper-based system for transferring ownership of shares, is due to be completed at the end of 1991 and brought into operation for most major stocks in stages over the following year.

It is not being built for the private shareholder but is intended to reduce the risk in the present settlement system, which could result in sophisticated investors abandoning the London market for more efficient stock markets elsewhere. However, it is expected to have spin-off benefits for the private shareholder by reducing the costs of settlement and so helping to keep down commission rates.

The exchange has also proposed a compensation scheme for stockbrokers' clients. This would greatly increase the protection available in the event of a broker going into liquidation. The present scheme, set up under the Financial Services Act, only covers losses of up to £50,000. The proposed scheme would take the cover to £300,000.

It would not be compulsory, however. Only stockbrokers who opted to join and displayed a special endorsement from the exchange on their letterhead would be included.

There are other ideas that could help the private shareholder, although they are only a gleam in the eye of some broking firms. A consultative paper on the future of the UK equity market, issued by the exchange earlier this week, put forward two radical ideas.

The first is the creation of a second-tier electronic market for small share deals, which would make it possible for individual investors to buy and sell shares at better prices than those available to the largest institutions.

That sounds a major development for the small shareholder, but opposition from some brokers means that it may never happen, and, anyway, the technology to make it possible is still at least 18 months away.

The second idea is also some way into the future. This involves the creation of an order-driven electronic system, known as Close, on which share prices would be determined not by the quotes of different market makers, as at present, but by the matching of buy and sell orders from investors.

Cutting out the middle man (the market maker) would reduce the cost of dealing. It could also make life more difficult for the market makers, which is why they are objecting to the proposal.

Should all the exchange's ideas get past the drawing board, small shareholders could benefit considerably. But this is a big "if."

Also, it is debatable whether these changes alone would do much to further widen share ownership. Most people – including most small shareholders – never even come near the stock market.

According to the CBI's survey 60 per cent of small shareholders bought their shares in privatisation or other issues, rather than through the stock market.

Many others inherited shares or acquired them through an employee share scheme. Only one in five had bought their shares through a stockbroker or bank.

Another revealing finding is the lack of knowledge of the stock market. Two in five of those questioned said they had no idea where to go to buy shares. Faced with this, no amount of refining of the efficiency of the Stock Exchange is likely to encourage share dealing.

The future of personal share ownership lies in the hands of: companies who believe that employee share ownership can bring greater stability; the Chancellor, who if anything, tilted the balance away from share ownership towards bank deposits; and the financial institutions, which have traditionally been keener to sell investment products which bring fat up-front fees than build relationships with active direct shareholders.

A model for the future could be Barclayshare, where an investors' various shareholdings are brought together and managed through a single account.

Barclays' service has 20,000 customers – a respectable number, but probably too few to make it pay.

Its founder, Mr Gavin Oldham, who recently left Barclays to explore ways of developing wider share ownership ideas on his own, says the service could become another Barclaycard, which struggled for years until the credit card habit caught on in the UK.

But it would take a brave person to predict that the share owning habit will ever become as deep rooted as that.

## Knitwear hit by low cost goods from Indonesia

By Alice Rawsthorn

THE UK knitting industry, which has recently suffered a string of redundancies and receiverships, is struggling against a surge in Indonesian imports of cheap socks and sweaters.

Mr John Harrison, director of the Knitting Industries Federation, said the arrival of large quantities of cheap Indonesian merchandise was "a serious blow." The industry faced an "unprecedented crisis," he said.

Sudden surges of imports have traditionally been a problem for the knitting industry, which is vulnerable to competition from countries with low labour costs. Two years ago the industry was hit by a rapid rise in imports of knickers from China, followed by a surge of Turkish socks.

Indonesian textile producers became an increasingly important source of competition for the UK in the 1980s. But the influx of Indonesian sock and sweater imports increased steeply last year. Imports of socks rose by 27 per cent to 13.7m pairs and of sweaters by 62 per cent to 3.4m pieces, according to statistics just released by the Federation.

Import growth has eroded the market share of the UK manufacturers. But the low cost of Indonesian products has also put pressure on prices and profitability. Indonesian socks are sold for an average of 28p a pair, below the cost of raw materials in the UK. Similarly, the Indonesian sweaters sell for £2.93 each, well below the cost of production.

The UK knitting industry has also faced a dramatic fall in demand as well as rising imports in the past two years. Some 12,000 jobs, almost a sixth of the workforce, have been lost in the past 18 months.

## City development agency to be wound up with £13m assets

By Ian Hamilton Fazey, Northern Correspondent

GREATER Manchester Economic Development (GMED), a regeneration agency, is to be wound up by the 10 local authorities which fund it.

They blame "financial pressure" caused by the poll tax and new laws about what councils are allowed to back.

All 30 staff will lose their jobs. About £8.5m of public money has been put into GMED since its birth but realisable assets now total £13m.

The agency's work in land and property development, venture capitalism, managing loans to growing businesses and training has contributed to the creation of about 5,000 jobs.

Mr Ian Bolton, finance director said yesterday: "We have all been constrained about what we can say about the closure, except to confirm that it is going to happen."

The decision comes after several months of wrangling to secure GMED's future. The new Local Government and Housing Act makes it illegal for local authorities to own more than 50 per cent of such agencies. Greater Manchester councils could not agree about making the funding change.

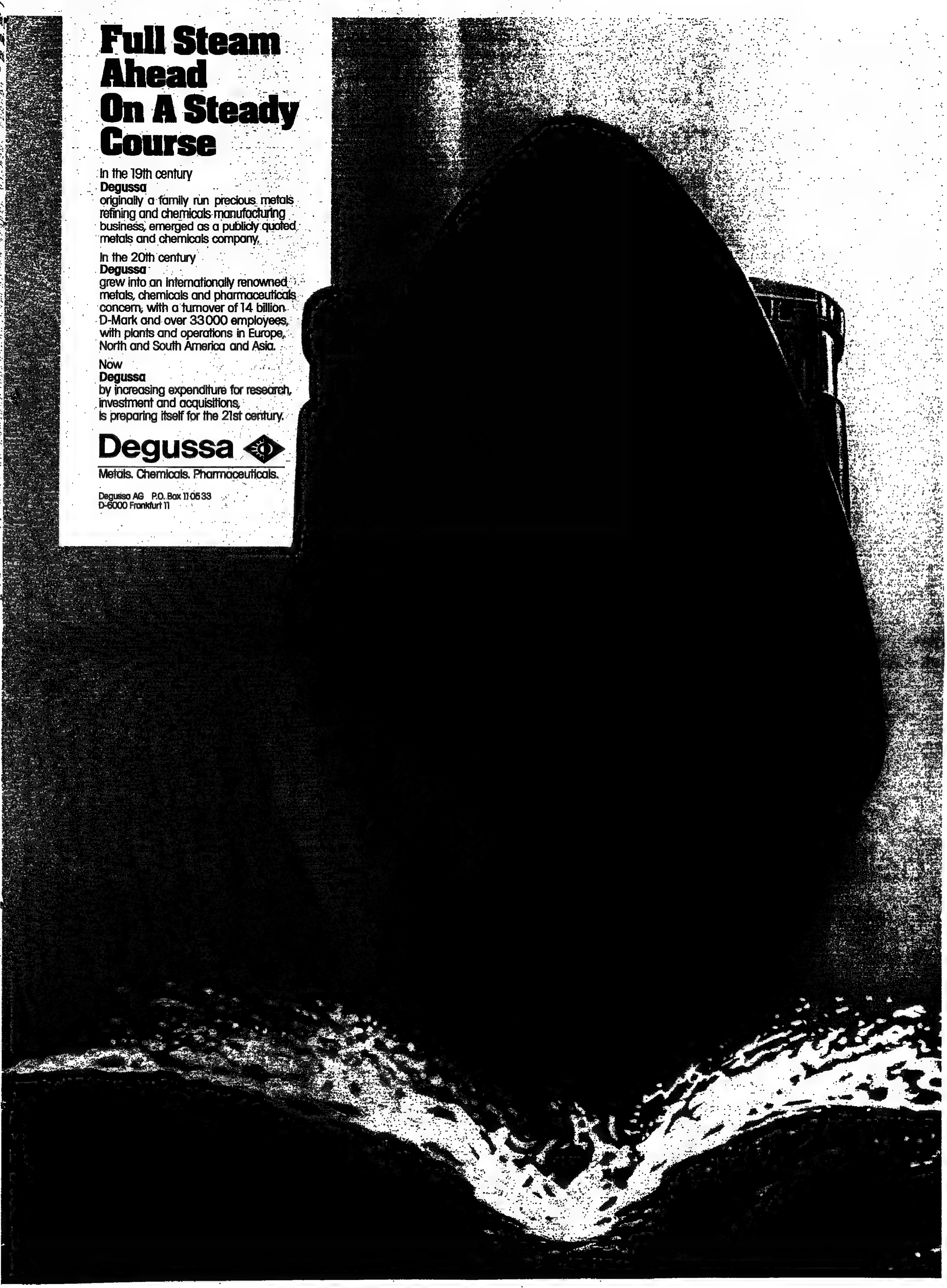
Mr Alan McGarvey, chief executive, had obtained assurances of private-sector support totalling about £4m. He proposed that the local authorities should leave in £200,000 to £2m each for a one-third stake and get the rest of their money back. Mr McGarvey was not available yesterday.

Manchester City Council rejected the idea of an agency not wholly accountable to elected representatives. It refused to accept Mr McGarvey's proposals. Negotiations broke down and council leaders decided this week to wind up GMED. Most staff are expected to leave by June, while assets will be sold over the next 18 months.

GMED was also largely opposed by chief officers of councils because its spending and activities were outside their individual authority boundaries and control. That was resented at a time when they were under increasing pressure to contain costs because of the introduction of the poll tax.

The 10 councils inherited GMED when Greater Manchester Council, its founder, was abolished along with the other metropolitan authorities in 1986. Lancashire Enterprises, a similar agency, was privatised by Lancashire County Council this year.

Like GMED, the similarly founded Merseyside Enterprise Board stayed in local authority control. It folded last year when the five Merseyside authorities failed to agree about how to continue operating it under the new laws.



**Lynton McLain** reports on how computerised fire prediction can lead to the design of safer buildings

# Extinguish the dangerous risk

A new technique in fire prediction, called *computational* fire dynamics, could soon allow people to conduct computerised experiments right at their desks. The aim is to allow the development of a fire to be predicted in safe conditions, thereby minimising the risk of damage.

Computational fire dynamics is a variation of computational fluid dynamics, which uses computers to understand how *fluids move* (gases, as well as liquids, are considered fluids). The technique involves no smoke or fire and can be applied to buildings of any shape, to transportation vehicles and other civil engineering projects.

The technique could replace the usual practice of deliberately setting fire to a representative room, factory, warehouse or other building to assess the effect of a blaze. It has the potential to reduce the 1,000 fatalities and 13,000 injuries from fire each year in the UK and to cut the cost of damage, which rose from £650m in 1988 to £800m last year. Nearly £600m of last year's figure was attributable to fires in industry and commerce.

Geoff Cox, head of fire dynamics at the UK Fire Research Station, at Borehamwood, near London, says: "The development of techniques for fire prediction is currently the most significant work in fire research."

Computational fire dynamics involves a *three-dimensional* computer graphic that predicts how a fire will develop and how designers could change the shape of a new building, or its internal arrangements, to reduce the risk of a fire spreading.

It is possible to understand how fluids interact by using mathematical equations, which describe the motion, mass, momentum and energy of a fluid. These equations have *been known for more than 20* years, but they were not readily solvable before the advent of sophisticated computers. The best that scientists and engineers could hope for were approximations.

Computers enable scientists to analyse the flow and interaction of a fluid through the use of programs that divide a volume of fluid, such as a room filling with smoke, into tens of thousands of little boxes. The *program solves the equations* for the motion, mass, momentum and energy of the fluid in each little box. This gives the scientists a good idea of how the fluid is behaving in each box and from one box to the next. The pattern of smoke and flame movements from a fire can be modelled mathematically over the whole volume of a room or building.

Computational fluid dynamics *has been used to help engineers* understand the airflow over aircraft wings, and to understand the flow of gases in an engine. But it can be used to understand the flow of any fluid in any space. Pilkington is using computational fluid dynamics to help design more efficient glass furnaces. It can also improve the design of power station boilers, gas turbines and cement kilns.

The technique was developed by the Fire Research Station – which is one of the largest fire research establishments in the world – using a system known as Jasmine (Analysis of Smoke Movements In Enclosures). Jasmine was developed with Cham, a software and engineering consultancy, and has been used to help predict fire behaviour inside buildings and other enclosed spaces.

The London Borough of Wandsworth commissioned the Fire Research Station to carry out a predictive study of fire in the proposed conversion of the disused Battersea power station. The study showed at which point in a fire the smoke detectors would operate.

Jasmine provides predictions *within the volume of a building* or compartment in time, temperature, air and smoke densities, pressures, gas velocities and chemical composition. It also provides estimates of wall surface temperatures. The geometry of the structure, the thermal properties of its boundaries, the ventilation, and/or heating conditions prior to and during the fire are fed into Jasmine. The consequences of a fire will be *displayed in colour on the screen.*

Although computational fire dynamics provides a good model for predicting flame spread, Cox explains that more effort is needed to understand the flammability of materials subjected to thermal radiation.

*Experimental warehouse fire shows the moment of flashover*

Computational fire dynamics also has the potential to predict the flashover point in a fire. This is the point when a fire becomes all consuming, with spontaneous combustion of everything that can burn. Further research is needed on the mathematics of flashover, however, before it can be made directly usable by architects.

The flashover phenomenon was illustrated best at the King's Cross underground station in London in November 1987. Thirty-one people were killed when flames spontaneously ignited almost everything up a wooden escalator and into the ticket hall. Other flashover fires included the blaze at the MGM Plaza hotel and casino in Las Vegas in 1980; the Stardust disco disaster in Dublin in 1981 and the Bradford Football Stadium fire in 1985.

Fred Lockwood, a reader in mechanical engineering at Imperial College of Science, Technology and Medicine at the University of London, has studied the computation of the flashover phenomenon. He has shown that the computational fluid dynamics model of a fire corresponds closely with experimental results, using data from tests in specially constructed fire rooms of the Swedish National Testing Institute, and at the US Lawrence Livermore National Laboratory. According to Lockwood: "A critical parameter in building design and fire evacuation procedures is the duration of time between initiation of a fire and flashover."

A computational technique developed at Imperial College to predict flashover found that the flashover occured at about 10½ minutes with a temperature of 400 deg C in the middle of a test room. The ceiling temperature above the fire source was close to 1,000 deg C.

A *complete description* of the way the various physical processes influence flashover is not yet available, but Lockwood says an important factor is the heat transfer from the fire to the surroundings by thermal radiation.

This radiation is thought to become increasingly important as the thickness of the smoke layer increases, especially when there is soot present. The layer of soot and smoke becomes a perfect radiator of heat, capable of spontaneously igniting combustible material far removed from the fire. Lockwood says that computational fluid dynamics could help understand fire problems in the Channel Tunnel. The most serious risk there is likely to be smoke flow, he says.

One problem the fire predictors are studying is how to speed up the complex computational process involved in solving fluid dynamics equations. Cox says that a typical simulation takes tens of hours of calculation on a VAX 11/780 computer. With fluid flow and interactions being so complicated, higher computing speeds are needed for full commercial *application of fire prediction* computing.

He says that transputers, which have memory and computing power on a single chip, could be used to speed up the sums by restructuring the mathematics from doing one operation after another, to doing several calculations simultaneously.

It will then be likely that fire prediction will join aerodynamics in being able to abandon physical tests. The aerospace industry is already using what Cox calls the "numerical wind tunnel." The days of the deliberate, experimental fire may also be numbered.

# Artificial intelligence has designs on drugs

A UK consortium is launching a research project to apply artificial intelligence to design. The idea is to produce the kernal of an AI system which would be useful in the early stages of the design process – an area that is not well covered by existing computer-aided design (CAD) tools.

The project, called Castlemaine, will build on research on AI in design that Tim Smithers and colleagues have been carrying out at Edinburgh University since 1984. Logica Cambridge, the computer software company's research subsidiary, will lead the consortium. The Government is providing funds through the Department of Trade and Industry and the Science and *Engineering* Research Council.

The other industrial participants – British Biotechnology of Oxford and CamAxys of Cambridge – have extensive experience of chemical and drug design. Castlemaine will be tested first for designing small molecules for the pharmaceutical industry. Logica plans then to test the system's versatility by applying it to the apparently very different activity of designing computer software.

"Expert systems for design so far have been specific to one problem rather than trying to *investigate* the general model of design like Castlemaine," says Kevin Poulter, project manager at Logica.

The overall approach will follow what Smithers calls "an exploration-based model of the design process." He says "an essential part of the process involves *discovering the structure* of the problem, it is not a process which starts with a well-designed goal."

In the early stages of drug design, the system will enable a chemist to "play around" with molecular structures and drug receptor sites in a more *imaginative* way *than is* possible with current molecular modeling programs.

"We're looking to provide a designer's assistant," says Alan James, managing director of CamAxys. "People doing design work have to call upon large amounts of fixed data from databases. They are also following lots of rules of thumb which they have learned over the years." The computer would provide them with advice based on the combined *experience of many previous* pharmaceutical designers.

British Biotechnology gives two examples where the Castlemaine Project could help. It could alert the designer to potential interactions between a new molecule and non-targeted receptor sites which he or she might not have thought about. And it could warn that a particular molecule was not worth pursuing because there *was no viable synthesis for it.*

All participants in Castlemaine agree that it is important for the system to work with standard CAD software and hardware. Too many AI research projects have been handicapped when it comes to practical application because they *require* special equipment.

And why is the project called Castlemaine? The answer is related to a well-known advertisement for an Australian beer. The participants could not think of a good name when they had to fill in the grant applications forms, so they put in XXXX.

**Clive Cookson**

More effective chemical patent protection and faster methods of selecting potentially useful drugs are being developed at Sheffield University.

Until recently, computer-based chemical databases have only been able to handle single compounds. But many companies patent generic compounds, a potentially infinite family of compounds of which the patentee *may have only* made one or two.

A great deal of time and skill is needed to check new compounds to ensure that they are not variants on a generic compound already patented, according to Mike Lynch, Professor of Information Science. For 10 years he and his colleagues have been developing a way to computerise the process. They are able to represent, store and search these generic structures by computer and have developed a retrieval system usable by ordinary chemists without specialised training.

International Documentation in Chemistry (IDC) in Frankfurt, which is largely funded by German chemical firms, is using the language developed at Sheffield in its database. Called Gensal (generic structure language), it combines two-dimensional graphics and a verbal description of the compound.

So far IDC is the only user outside Sheffield. It has licensed the software and put *up about half of the* £500,000 research budget. The remaining funds come from various UK sources.

Other work on chemical pattern matching at Sheffield involves three-dimensional chemical databases. Thanks to X-ray crystallography, the 3-D structure of more than 400 proteins and 70,000 small molecules is known, with more being mapped every year.

The large protein molecules are complex but their *3-D* shape is thought to be important for biological function. The "lock and key" theory suggests that smaller molecules with a particular shape attach themselves to a similar shape on the protein, making them biologically active.

But with tens of thousands of compounds and very complex structures, it is hard to match shapes. Peter Willett and his colleagues from the Departments of Information Studies and Molecular Biology and Biotechnology have developed a system which could allow this matching to take place on computer.

Drawing upon graph theoretical techniques, which consider objects and relationships between pairs of them, the computer searches for patterns in proteins. The program – protein on-line sub-structure searching-Ullmann method (Possum) – runs on a DEC Microvax computer.

Willett also believes that analogous graph techniques could be applied to represent *carbohydrate structures, offering* chemical manufacturers opportunities for developing new products.

**Geoff Tansey**

**MANAGEMENT:** Re-shaping BP

After five months as a "fly-on-the-wall" in the oil group, **Christopher Lorenz** relates how it thrashed out a new organisational strategy

# A drama behind closed doors that paved the way for a corporate metamorphosis

It is a deceptively peaceful scene. From a deserted hotel terrace alongside the River Thames in rural Buckinghamshire, the only sounds to be heard are the rushing of water and the muffled clattering of workmen re-roofing a church on the opposite bank.

Inside the hotel, the atmosphere is altogether different. Top businessmen bustle about in a state of visible nervousness, or stand chatting quietly in tense tones. They are waiting for the curtain to go up on a corporate drama of considerable moment.

As the call comes to move into the conference room, the church bell seems to sense the occasion, and tolls three times.

What is at stake over the next 24 hours is much more than corporate re-roofing. All but one of the top 28 managers of Britain's largest company, BP, have come together, ten days before last Christmas, to try to agree a detailed redesign of its structure, of the way it operates, and – the hardest thing of all – of the way people behave within it.

The sole absentee is its long-serving chairman, Sir Peter Walters, who will be retiring in March 1990.

Behind closed doors in the historic Compleat Angler at Marlow, BP's top brass will be debating a radical blueprint called "Project 1990." It has been prepared during five months of exhaustive analysis and consultation with thousands of people, mainly within the company but also from outside.

Hardy professionals to a man (BP has no women at this level yet), most of the players at Marlow will manage to retain their outward composure throughout the intense and tiring discussions – punctuated only by a short night and a snatched breakfast before dawn – even when they are dealing with issues where they clearly stand to lose influence. But the feelings of resignation on the part of some, as well as the passions beneath the surface, will break through occasionally, sometimes from surprising directions, around the green baize table.

There will also be one unexpected onslaught on the views of the incoming chairman, Robert Horton – the man who has unleashed the whole corporate redesign. He has prepared his ground carefully with each of the main players at Marlow, via a series of one-to-one discussions over the previous months; but the drama of the next 24 hours is by no means a foregone conclusion.

Nor is there certainty about the outcome of various rear-guard actions which will be fought, during the three months after the Marlow meeting, against several of the proposals for streamlining key departments tabled there.

Significantly for the nature of the blueprint – but also for the resistance which some of it has already provoked before the meeting – the work for Project 1990 has been done not by the corporate barons themselves, or by their nominees. Instead, it has been handled by a team hand-picked by Horton's own nominee – David Pascall, divisional manager in BP Finance – comprising seven rising middle managers, mostly between 35 and 40. They have been drawn from across the company's main businesses, and used to report to the barons – and will do so again after the project is over – but they are men and (two) women with very much their own minds, as Horton himself has found.

Guided by Horton, but also by a very tangible upswell at all levels of the company in favour of far-reaching change, the team has treated virtually no aspect of BP as sacred. The main exception is its existence as a corporation; after a massive *divestment* programme over the past decade, which has left BP with just four businesses – exploration, oil refining/retailing, chemicals, and nutrition – the existence of the corporation is seen as self-evident. BP is not about to unbundle itself.

Indeed, Horton wants to reinforce its strengths as a corporation while allowing its *constituent businesses much* greater flexibility and speed of response in the marketplace; achieving this "tight-loose" balancing act, to use the language of "In Search of Excellence", is one of the most difficult tasks facing multinationals today.

In a phrase, Horton's goal is a complete streamlining of BP: not just of its complex, costly, committee-ridden and over-controlled formal organisation (see Tuesday's Leader Page article), but also of the way managers behave within it, both at head office and elsewhere.

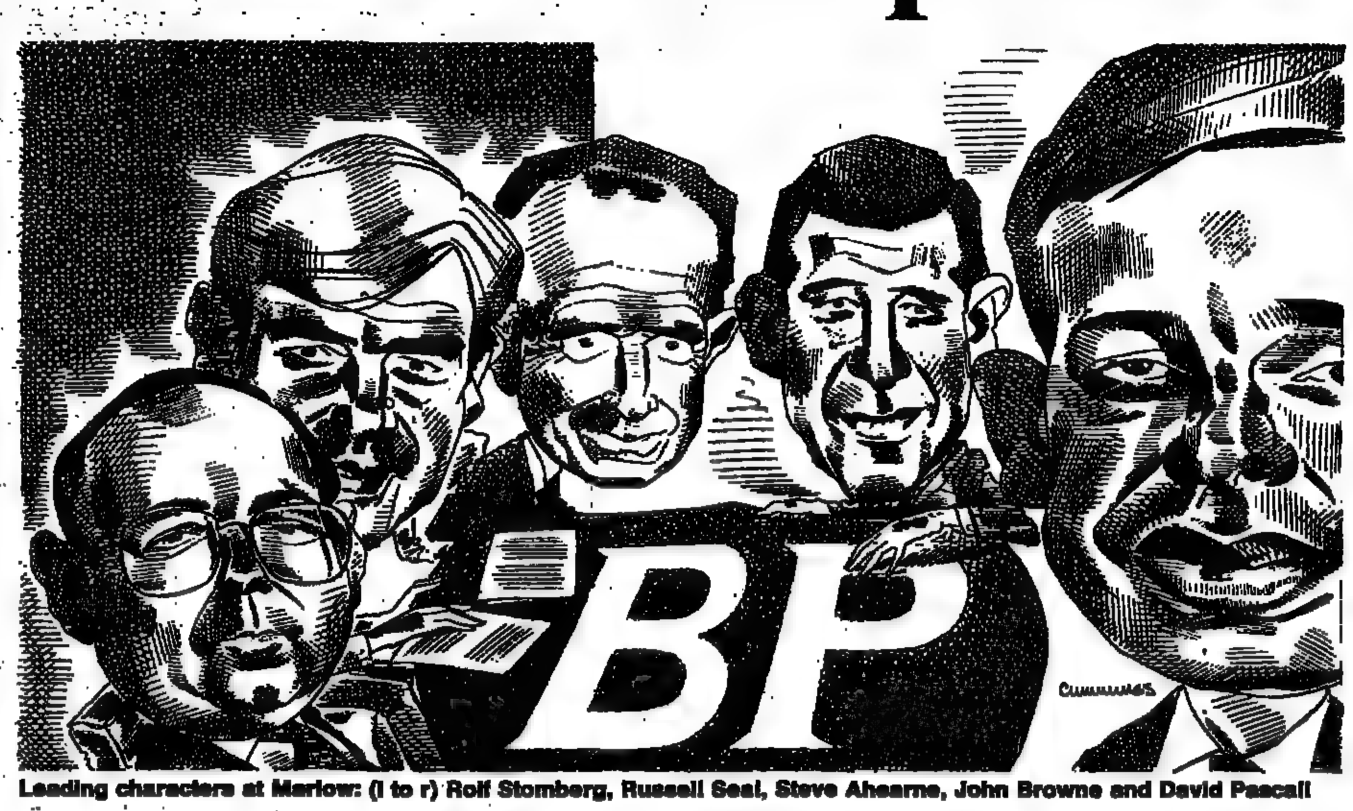
In place of the existing culture of bureaucracy, constant second-guessing, and extreme distrust, Horton wants to create what last autumn he called "the corporate equivalent of perestroika and glasnost" (an unfortunate parallel, as things are turning out in the Soviet Union): a structure with the minimum of controls and the maximum delegation of responsibility, plus a supporting culture of openness, informal communication and verve. In other words, rather than establishing a shallower, flatter, more efficient version of the existing pyramid, he wants to develop an organisation that works, thinks and feels entirely differently.

By last December's Marlow "retreat", a burning impatience for change on all fronts – structure, processes, and culture – was evident right across BP, even among some of the managers who had risen to the top of the Walters system by their very ability to behave as "commanders and controllers" within a highly interventionist atmosphere. Consider the following frank admissions, made during that tense 24 hours.

## Commander-controllers

● "Control has gone wrong because all of us have concentrated too much on detail. People feel they need to know the answer to every possible question just in case someone asks it. We've lost our way. We need to engender the attitude where I can say 'I can't answer that'" – Russell Seal, the 47-year old chief executive of BP Oil, the group's refining and marketing "business stream" with sales of £20bn in 1989, and 56,000 employees. Seal's rapid rise to power is due in large part to his very evident ability and charisma, but many managers in BP would claim it is also because he is a born commander-controller. His colleagues at Marlow were surprised at the force with which he expressed the need for change – in himself, as much as in the company as a whole.

● "The control system has gone berserk" – Rolf Stomberg, head of Deutsche BP (and from this month, at the age of 49, the boss of BP Oil's newly-created single European organisation, reporting direct from



Leading characters at Marlow: (l to r) Rolf Stomberg, Russell Seal, Steve Ahearne, John Browne and David Pascall

its seat in Brussels to Russell Seal). "You just can't imagine the degree of frustration out in the field. BP Oil can only do something about it if you also act at the centre. This is a passionate plea."

● "We've behaved like a conglomerate – we need common values, so the next time you ask me to cut my capital expenditure I don't shout at you" – Russell Seal, again, speaking directly to Robert Horton and David Simon, BP's group managing director for finance and Seal's former chairman at Oil (and from this month Horton's deputy chairman and chief operating officer).

● "The structure does stifle the human contribution" – Ron McGimpsey, group controller, a 45-year-old who has become one of the growing band of Americans to join the senior ranks at BP head office since the full acquisition of Standard Oil in 1987.

● "The number of committees in this company is ridiculous. You in this room have one principal task – remove them! If in doubt, eliminate!" – Horton *himself*. This cajoling outburst provokes widespread nods of agreement among the younger managers. To illustrate the problem, David Pascall, the Project 1990 team leader, *puts up a slide showing* that each of BP's six managing directors has been attending more than 100 committee or board meetings of various types each year, and that five other senior managers have been going to almost as many. He then flashes up a summary list of the 86 head office committees which his team has managed to drag up from what one of its members calls "a bottomless pit." Almost all have the same word against them: "eliminated".

Signally silent through long phases of this discussion are some of the older managing directors who – during the Walters era have formed a top-level layer of both control and executive authority – by chairing boards for each BP business stream, and by holding overall responsibility for each geographic region of the world.

As from Horton's assumption of the chairmanship last week, the MDs will continue to play a supervisory role, but their executive authority has been diluted by several changes: the removal of much of the supporting panoply of corporate staff; the limitation of the scope of the business stream boards which they chair (and also of the frequency of meetings); the elimination of many committees which they either chaired or sat on; and the shift of David Simon, at 50 the second youngest MD (by a month after Horton), into the extremely strong position of deputy chairman and chief operating officer, and with direct responsibility for the business streams.

Some MDs seemed clearly uncomfortable with the degree of change being proposed. This was despite Horton himself and the Project 1990 team having worked on them continually behind the scenes during the months before Marlow. The team had solicited the MDs' opinions and told them of the pent-up internal pressure for radical change which had been revealed by 500 face-to-face interviews around the world and the 4,000 questionnaire replies.

*The MDs' discomfort* was caused not merely by the impact of changes on their own roles. It was also because of the strong message – reinforced from right across BP by the results of the questionnaire – that there must not only be a radical streamlining of the company's structure, and its management processes, but also of its culture.

As David Pascall put it to the Marlow meeting: "Structure, processes and culture are like a three-legged stool; if you don't pay attention to all the legs, it'll fall over."

One of the clearest signs of discomfort among a few of the more conservative business heads at Marlow, as well as some of the group MDs, is their reaction to Project 1990's fundamental proposal that many departments, committees and management layers should be replaced by much leaner and more informal "networks". These would encompass people both at head office and out in the businesses.

The new arrangement will include not only permanent teams, but flexible ones pulled together from across BP's various businesses in order to carry out temporary tasks. The networking concept, which Horton calls "the corporate glue", will be all-important to BP's continued ability to operate as an integrated corporation once it has completed the slashing back of committees and corporate staff which was announced on Monday.

One baron bursts out that he has "great difficulty getting my mind round this. I don't see how we are going to create these teams – there won't be the resources." John Browne, the 42-year-old chief executive of BP Exploration, has had a few months' start in developing the networking concept within his own business, and tries to help by reminding everyone round the table that "part of the concept is that people do several things at the same time."

Early the following morning the problem of overwork throughout BP sparks one of the few direct attacks on Horton. *His appeal for BP managers* to lead a balanced life, and allow others to do so, is immediately supported by Rolf Stomberg from Deutsche BP. "We do overwork our people and ourselves," Stomberg says; "it's not to our benefit." Russell Seal joins in, condemning company events which begin at the weekend (but then adding that he sees nothing wrong with having to do paperwork then).

The battle is then joined by David Simon, Horton's deputy-designate, who has remained pretty silent so far, except to pronounce at crucial points in support of Project 1990's proposals. Simon, whose appetite for long hours is well-known, says: "There is a style for an age – I wouldn't overdo the chances of the system changing."

Patrick Gillam, one of the MDs, weighs in asking: "How do you run your organisation in a leaner way without working 14 hours a day?" He is joined by James Ross, a Briton who heads BP America, arguing that "to give a signal and not follow it through engenders cynicism. It's no good saying 'lead a balanced life' if you can't."

Horton decides to fight another day, closing the topic with an attack on part of the company for allowing some of its staff to work seven days a week for 18 months. "All of us have worked 80 hours a week for limited periods," he says. "But people mustn't for their whole career – there mustn't be a macho culture which makes people think they need to."

Various other problematic aspects of BP's personnel management also rear their heads at Marlow, including what Horton calls "the abysmally low quality of some of our human resource people at the centre" (a new personnel head, an American, was appointed by Horton recently).

## Shortcomings in the system

Other important personnel issues, from a long list which is debated, include: the need sharply to improve training and motivation of people not seen as high flyers; much greater internationalisation of staff than in the past; and shortcomings in the existing system under which people are "parented" – that is, they generally remain under the aegis of one part of BP in career and pay terms, even if they move elsewhere within the group. Such deficiencies will be a serious weakness at the advent of an era of much greater cross-department teamworking within BP.

The top brass at Marlow also debate Project 1990's proposals for a more flexible system of job-grading, especially at higher levels of the company. Predictably, there is some apprehension at the idea that managers should start being appraised by their staff, as well as vice versa, but self-appraisal certainly gets the thumbs-up.

A major drama which many Marlow participants expected to be fought in the open – between the business stream heads and James Ross over the powers of BP America vis-à-vis the international businesses operating in "its" territory – turns out to have been resolved in a private meeting two evenings earlier between Horton and Ross. This is not a personal issue, but a common dilemma about matrix structures which all multinationals find it difficult to resolve. It will be examined in detail in the next article in this series.

Another fundamental issue, the future number of head office planning and control staff, is not settled at Marlow. During the meeting Steve Ahearne, then still BP's head of corporate planning (he moved last week to become chief financial officer) resists strongly the severity of some of the staffing proposals.

He says he fully agrees that BP will be able to do away with some of its more unpopular planning and control processes, thanks to the establishment of the post of chief operating officer, who will maintain close personal relations with the company's four businesses.

But he objects to the speed of the proposed immediate cutback in the corporate planning and control staff, from 72 to just 11. He particularly dislikes the proposal to disband BP's in-house team of economists, which numbered almost two dozen a year ago, although it has been almost halved by the time of the Marlow meeting. The discussion continues after Marlow and well into the New Year – see below.

The Marlow debate gets very involved in the detailed pros and cons of the plan to focus and cut back BP's information technology resources, in part by the sale or rundown of its Information Systems Services subsidiary, with about 720 employees. BP's IT chief puts up several arguments for its retention, but wins little support from his colleagues round the table, most of whom say they would prefer to purchase such services from outside the company. (The staged rundown of ISS, though with some transfers to elsewhere within BP, was announced on Monday.)

The all-important question of giving *the four businesses* much greater capital spending powers, in order to help foster greater delegation and reduced bureaucracy, is accorded only a peremptory discussion – it has already been widely agreed before Marlow that the current review limits are far too low.

Authority levels for the different businesses' boards are to be raised: from \$80m to \$100m for BP Exploration, and from only \$40m to \$100m for Chemicals and Oil. Within these limits the spending power of the individual business chief executives is increased by between two and five times to \$50m for all but BP Nutrition.

● Horton reminds everyone that having to collect 14 signatures before even a modest investment proposal can go ahead will be neither desirable nor feasible under the new head office structure – he is aiming at an average of two.

The Marlow meeting demonstrated that Horton's Project 1990 process of opinion-seeking, consensus-forming, and *revolution-moulding had got* off to a good start. "We've made the most enormous leap forward," he said a week later.

Since Christmas most of the Project 1990 proposals have been confirmed, except that rather more people than initially suggested are being retained, for various transitional periods, in four areas. These are economics; planning (though this has been re-oriented, as Horton intended, to strategy rather than detailed planning); regional support (previously co-ordination); and "operational support" (previously control). In this area it has been agreed that numbers need to be maintained until BP has developed a system which merges its four separate flows of financial information into one, along business lines, but which provides a basis for both statutory and management accounting. This may take two years. In the meantime, hands are still needed to reconcile the various flows.

As a result of these adjustments, the new corporate centre will start off with a complement of 380, rather less than the 350 proposed by Project 1990, but still a dramatic reduction over the previous 540. Even if these hold-ups on some of the streamlining details prove as temporary as they are intended to be, there is still plenty of room for BP to slip back into familiar habits of excessive control and consequent distrust – whether in the degree of real delegation from head office, or on any number of other issues.

## Readiness to fight back

The readiness of people within a deeply-entrenched system to fight back – or, at least, for some of them to fail to understand the changes involved – was epitomised by the throw-away remark of one BP managing director to the FT as the Marlow meeting ended: "It may all look very different after tomorrow, when just the MDs meet to decide what should be done," he said. "This wasn't the real decision-making meeting." In fact the MDs' meeting did actually confirm all the points agreed the day before.

It would be astonishing, given the nature of people and politics in any large organisation, if such grumbling were the last that Horton and his fellow radicals heard of resistance to their revolution. They have certainly set in train a dramatic process. But if it is to succeed, and retain its all-important early support from managers in many corners of the company, it will need to be manoeuvred through – even fought – with both tact and drive.

As Horton himself told the Project 1990 team last November, "there will be lots of hid*den recusants around*," especially among managers over 40. He does intend to try to win them over but, as he indicated on more than one occasion last autumn, both to the team and to the FT, if he fails, he is not prepared "to let the long shadows of conservatism loom around to foul up the process."

Harking back a decade to when he took over the running of BP Chemicals, he has declared several times over the past six months in conversations within the group that "the biggest mistake I made there was allowing some guys to stay in place whom I should have got rid of on day three. They slowed up the change process for three years." The implications for today's BP-ers are obvious.

*The next article in this series will appear on Monday.*

# Countdown to a consultative revolution

● March 1989. 142 senior delegates to BP's group management conference, the first since the early 1980s, fill out opinion survey on company's image, reputation, and other matters (see main text).

● May. Management conference. Considerable concern expressed at survey results. Top executives shocked by results on fundamental management issues. Becomes clear to Robert Horton, deputy chairman since March but not yet officially named as chairman-elect, that his probable accession in 1990, plus planned move to new (smaller) corporate headquarters building in London, can be used as opportunity for major review of how BP operates.

● June. At Horton's initiative, David Pascall, divisional manager in BP Finance (co-ordinated BP's end of Monopolies Commission inquiry into Kuwaiti shareholding), is offered assignment to head "Project 1990". His Project 1990 remit is quickly broadened. It is to include not just relations between group head office and BP's four "business stream" (division) HQs, but also between businesses and regions – ie to take a fundamental look at whole corporation. Pascall spends next few weeks choosing a team of six other high-fliers from across BP.

● July. Horton issues memo to senior management announcing board endorsement of Project 1990 brief; this is "to reduce the cost of complexity throughout the BP group, to define a suitable central organisation and to reposition the corporation in terms of approach and style for the 1990s". Pascall has preliminary discussions with key senior managers.

● August. Pascall spends holidays reading latest academic literature on the management of change, leadership, and other topics.

● September-October. Based now in office suite on 30th floor (one below Horton) of Britannic House (BP HQ), team goes out to conduct interviews with over 500 managers at various levels within BP across the world. Pascall does top-level interviews and has discussions with business school luminaries at Harvard, MIT, Insead, and with chief executives in US and UK of Citicorp, IBM, BTR, Courtaulds, Laird Group and P&O. (In February 1990 he meets Jack Welch of GE, famous for his – ultra-tough – initiation of radical change in organisational structure and culture.)

Pascall meets Horton weekly for what Pascall calls "Horton's therapy sessions", during which the latter tries hard not to steer team's process, nor influence its thinking. Questionnaire prepared and sent out to one-in-six of employees above clerical grade of the company. Almost two-thirds (c 4,000) respond. Experienced professional "facilitator" brought in from outside. FT comes in from mid-October at Horton's invitation to be "fly on wall" (fond of literary allusions, he suggests fly should "feel free to be a Boswell!"). Fly's first meeting with Project 1990 team takes place at company's "safe house" in Regent's Park.

● November. Drafting of very detailed Project 1990 discussion papers well under way. Process goes through several iterations, both within team and with Horton, then through whole process again. Gradually becomes clear, for instance, that Horton unwilling to respond to pressure from some international business chiefs completely to bowdlerise powers of BP's regional heads. Instead, wants to remove their operational responsibilities, but to build them up as BP chairman's (his) "alter ego" on regional strategic and representational matters. This is a somewhat subtle concept. Is he ducking the need to "sort out" the allegedly disruptively excessive power of BP America? He turns out not to be (see next article in this series, on Monday).

● Nov 8 meeting takes Horton through team's detailed analysis, in diagramatic form, of "why change?"; itemises external threats and internal inadequacies on many fronts, including risk of becoming "the dinosaur of the 1990s". Stresses need for BP to become more of a "learning organisation." Also paints vivid picture of dramatic gulf between the necessary future organisation and the current reality. The deal embodies clear vision, continuous innovation, open communication, empowered people, deep trust, team accountability; the reality is lack of shared vision, confused messages, excessive emphasis on asset trading, breakdown in trust, lack of pride in BP.

Horton recognises most of the latter all too clearly, and refers to the power of "social normalisation": the way people adapt to the norms of a system, however unpleasant it may be. He is clearly very worried by the degree of low morale and breakdown in trust. He also (largely) supports team's list of BP's proposed future attributes.

Meanwhile Pascall keeping other key BP executives in close touch with team's evolving thoughts, and vice-versa, so as (in Horton's metaphor) to "warm the executives up to 95 degrees C so that they can be brought to the boil" at December top management retreat at which Project 1990 proposals will be presented.

● Mid-Nov. FT "fly" drafts long diary note to self, recording interim thoughts. Starts "BP is in a mess." Is this an unfair impression, caused mainly by company's unusual openness? Or is it stark reality – and par for the course for any large multinational? Nigel Nicholson, Sheffield University academic who devised the staff questionnaire, makes gloomy video for December retreat (also shown to other senior managers) analysing heavily negative responses of questionnaire respondents.

● Early December. Pascall's weekly meetings with Horton continue. Last full team meeting with Horton before the retreat focuses especially on proposed numbers for much smaller head office departments (planning, control etc). Then final hectic phase of re-drafting executive summary of Project 1990 conclusions. Horton fine-tunes it several times (some team members unhappy about survival of certain committees – is this due to lobbying on 31st floor?).

Blue folder marked "secret" dispatched to 28 participants at retreat just in time for weekend reading. Contains 41 closely argued summary pages of Project 1990 proposals; full (and depressing) employee questionnaire results; and two pieces of background material deemed especially appropriate – Jack Welch of GE talking about "speed, simplicity and self-confidence" and chapter from Tom Peters' book "Thriving on Chaos", titled "Simplify/Reduce Structure." BP barons may draw comfort/encouragement from these once they have recovered from Project 1990's proposals for sharp cuts in their own staff.

● Dec 12-13. Rural "retreat" at Marlow, Buckinghamshire, just west of London, for all BP very senior management to discuss (& agree?) Project 1990 proposals in plenum for first time. Broad agreement – see main text.

● Dec 19. Marlow de-briefing and follow-up (in London) for wider group of 45 managers. Schedule agreed right through until mid-March for follow-up decision deadlines, on BP "vision and values" statement, initiation of culture change programme, information technology changes (vital if the new BP is to be able to "network"), head office staffing numbers, detailed personnel choices.

● January-March 1990. Security locks placed on previously easy-access doors of Project 1990 office suite (to stop leakage of sensitive numbers and names). John Bishop from Project 1990 team (previously BP Chemicals) appointed head of "culture change team" (education programme over several years). Leads intense debate among Project 1990 team, and with Horton, on content of latter's new "vision and values" statement.

After debate among top management about pros and cons of such a top-down approach, decision made to send out V&V statement immediately after Horton assumes chairmanship on March 11.

Decisions made on new head office team leaders. Series of managing directors' meetings takes final decisions on how Project 1990 will affect whole corporation, including size of new teams, and vets list of people "unplaced" by subsequent detailed staffing decisions, who could face redundancy. Culture change team designs and runs initial workshop for team leaders.

● March 13. MDs approve final announcements.

● Friday March 16. BP senior management meeting with almost 100 international executives, held in London, to discuss detailed announcements to be made following Monday; V&V also debated hotly in workshop sessions.

● March 19. Detailed announcements made throughout BP worldwide – including individual letters for all staff at the centre, not just those facing redundancy. Press also informed, though job-cuts already leaked at the weekend. Fly blameless, but knackered - drops off wall.

# Budget reinforces scepticism

**By Paul Cheeseright**

Suffering property companies got little solace from this week's Budget.

Apart from the tax regime for authorised property unit trusts, the Budget scarcely impinged on property companies. But the economic analysis behind it did. Business conditions will not improve for some mouths.

As Mr Gareth Evans, of Charterhouse Tilney stockbrokers, says: "This is the worst now."

Some companies will even have to consider moves like that taken by City Gate Estates – a projected takeover by a Scandinavian company. Other developers, like the heirs of William Carter, will independently soldier on hoping that *their investments will remain profitable*.

The Budget seems to have reinforced scepticism about immediate market prospects and helped to outline the defensive qualities of the investment companies which are protected from high interest charges by weighty rent rolls.

Thus Panmure Gordon is advising its stockbroking clients "to buy on technical weakness the prudently-financed investment companies with highly reversionary portfolios currently trading on recession ratings of 45 per cent discounts to prospective net assets."

It mentions Land Securities, MEPC, Slough Estates, Great Portland Estates, Hammerson and Chesterfield as having the strength to withstand the present commercial climate. This is where the heirs of William Carter come in.

Mr William Carter was a vegetarian Quaker who left school at 13, started his first property venture at 17 and was Britain's 13th motorist.

His great grandson, Mr Peter Mills, once an architect, formerly a project manager in the Middle East, is now watching sliding prices on one side and higher financial charges on the other squeeze the generous margins of the family company's most significant property project.

The company is Kinson and the project is a mixed development of industrial units, offices and flats called Rosebery in Clerkenwell, inner London.

Contracts are out for signature on the sale of the industrial units but no attempt has so far been made to sell the offices or the flats where construction is nearing completion.

The squeeze on the project is symptomatic of what has been happening generally. Kinson has been lucky in two respects, however. First it did not pay an excessive price for the land, bought before the surge in land prices reached its peak. Second, although property prices have been coming down, they are still much higher than they were when the project was originally appraised.

But Kinson's room for manoeuvre was recently cut back when it turned down a chance to cap the interest rates on its development loan.

It is paying around 2.25 percentage points above the London inter-bank-offered rate and rolling up the interest payments. Every rise in finance costs takes a slice off the bounty provided by the market movements up to early 1989.

When the project started, the trend in interest rates was downward. In 1986 the Borough of Islington had three sites it wanted to sell. One was Rosebery.

Kinson won a tender in January 1987 and paid £1.725m for a site of 1.5 acres. The land was cheap compared with subsequent market levels and meant the company was sitting on a paper profit from the start.

But it took 15 months to get planning approval and construction did not start until May 1988.

Were it not for those lengthy negotiation, Kinson would have finished the project by now and would not be faced with serious pricing questions for the office and residential elements of the scheme.

After the site purchase was completed, Kinson went into partnership with Guinness Mahon, the merchant bank. They set up a special company for the project and each put in equity of £1.7m; Guinness Mahon matching what Kinson paid for the land.

Guinness Mahon assembled a syndicate of banks which provided a loan of £11.55m, deemed at the time to be around 75 per cent of the completed value of the project and enough to cover the construction costs. The banks have virtually no recourse to the joint venture partners. It was a creature of its time.

The loan is due for repayment in May 1991, meaning that Kinson has a year to sell the units in the three sections of the development. To make the sales quicker would be an advantage because the escalating finance charges would be reduced.

Final appraisals were done in early 1988 when it was calculated that the industrial units would have to fetch £125 a square foot to offset a construction cost of £72 a square foot.

These units – 11 of them, each between 2600 and 9100 square feet in size – are not simple sheds but three-storey buildings suited for a number of uses. There is not a vast amount of new property like this in central London.

Industrial property values sharply rose when their construction started Rosebery. There was capital growth of more than 34 per cent, according to the Investment Property Databank.

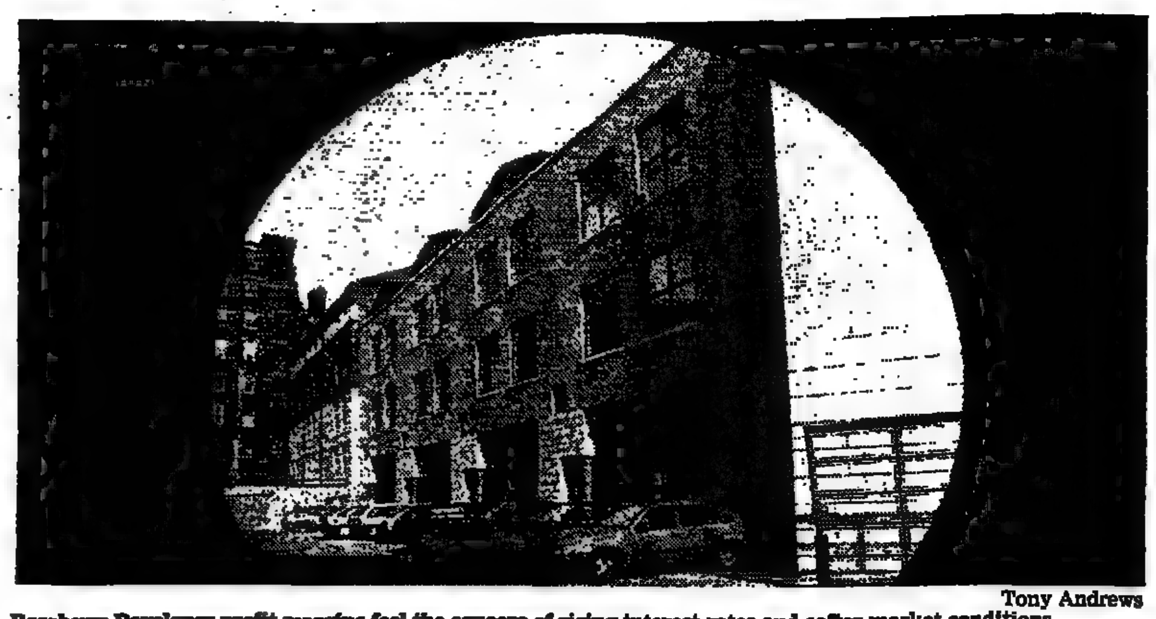
This growth was reflected in the prices when Kinson took the industrial units to the market towards the end of 1989 with a sale tag of just over £200 a square foot, or more than half as much again as the appraisal value.

Recently, the asking terms have been £165 a square foot – an indication that although the market remains firm it is not as strong as it was. Nowadays, companies buying and leasing space hang back and some have withdrawn from the market. For development companies concerned about cashflow there is little choice but to lower sales prices.

Whether Kinson will have the same experience with its offices – 12 buildings, each with its own front door, built around a courtyard – remains to be seen. Sales prices are likely to be above £300 a square foot against an appraisal value of £265.

Kinson would have built a profit of about 20 per cent into its appraisals but interest rate rises have cut back the figures enlarged by the market. "We are nearing the limits of tolerance," said Mr Mills.

But Kinson is in better shape than companies which started later when land prices were higher and then watched prices totter.



Tony Andrews

Rosebery: Developer profit margins feel the squeeze of rising interest rates and softer market conditions

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| | Retail | Office | Industrial | All Property |
|---|---|---|---|---|
| Year to January 90 | 7.0 | 19.7 | 27.1 | 15.0 |
| Quarter to January 90 | -1.4 | 1.9 | 2.9 | 0.6 |
| Month of January 90 | -0.4 | 0.6 | 1.3 | 0.3 |

Source: Investment Property Databank



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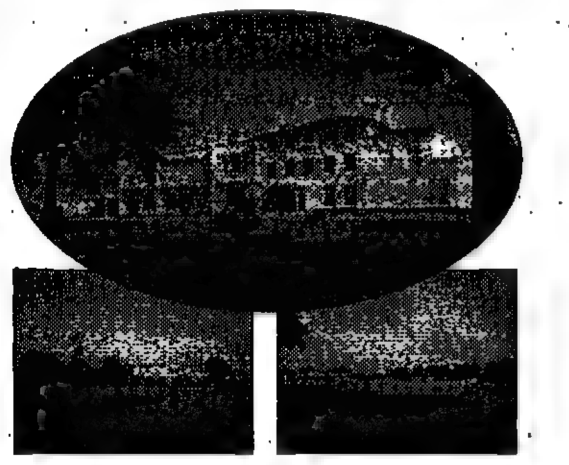

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## PERSONAL

SHARAF Taysir, General Manager of Jordan International bank Plc, unexpectedly on the 19th of March at home. Much loved husband of Najah, born Rocksby, and loving father of Majd, Basel and Samer. Will be greatly missed by all family and many good friends including his colleagues and Directors and Shareholders of Jordan International Bank Plc. and the Banking Community.

Condolences are accepted at the deceased home at 17 Princes Gate Court, Exhibition Road, London SW7 on Friday and Saturday from 4.00 pm.

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## LEGAL NOTICES

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IN THE MATTER OF KUNICK PLC
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice on 27th February 1990 for the confirmation of the reduction of the Share Premium Account of the above-named Company by £83,000,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Warner at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 2nd day of April 1990.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

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# ARTS

## Arts Week

| F | Sa | Su | M | Tu | W | Th |
|---|---|---|---|---|---|---|
| 23 | 24 | 25 | 26 | 27 | 28 | 29 |

### EXHIBITIONS

**London**

**The Tate Gallery.** The entire permanent collection has been rehung so that the visitor may now take a natural circuit through the newly restored galleries, from 16th century British painting through to the the most recent of modern international art. It is a curatorial triumph.
**The Tate Gallery.** Joseph Wright of Derby – a full study of the work of one of England's most distinctive painters of the 18th century, yet one, like his close contemporary George Stubbs, too often dismissed as a mere provincial. Daily until April 22, except Bank Holidays; sponsored by The British Land Company.
**The Barbican.** Scottish Art Since 1900 – a brisk and effective celebration of what has always been a most vigorous and distinctive national school, yet one which has for far too long been not so much under-rated as underknown in the southern Kingdom. Daily until April 16; sponsored by Flemings.
**The Royal Academy.** Frans Hals – the great retrospective, *already shown in Washington* and due to go on to Haarlem, of the work of one of the greatest painters of the 17th century Dutch school. Until April 8.

**Paris**

**Grand Palais.** Soliman Le Magnifique. Closed Tue, Wed late closing, ends May 14 (42895410).
**Musée d'Orsay.** *The Fragmented* Body. Parts of the human body, or the incomplete body form the leading strand of an exhibition beginning with ex-votos and reliquaries and culminating ina celebration of Degas, Bourdelle, Maillol and especially of Rodin with his masterly transition from realistic to abstract sculpture. Ends June 3, closed Mon, entrance Quai Anatole France (40494814).
**Centre Georges Pompidou.** Pavel Nikolaievitch Filonov. A solitary figure of the Russian avant-garde, he refutes cubism and futurism as contrary to nature's – and art's – organic development. "Every atom" of the surface of the 50 paintings and 150 drawings is given intense attention and basks in the light *of idyllic harmony in cruel contrast* to his own destiny. Closed Tue, ends April 30 (42771233).
**Musee Carnavalet.** Antique bronzes. Some 400 statuettes bring to life the Gallo-Roman world up to the 5th century. They are grouped in glass-cases around a divinity surrounded by objects of the appropriate cult. Closed Mon, ends July 1 (42722113).

**Brussels**

**Archives Générale du Royaume,** Grand Sablon, commemorates Belgium's short-lived declaration *of independence from the Austrian* Empire and the subsequent power struggle between France and Austria for control of Belgium. Daily, closed Sunday, ends 31 March.
**Musées Royaux D'Art et D'Histoire.** The Enigma of the Easter Islands is partially deciphered in this exhibition of photographs and artifacts. Closed Monday *ends April 29.*
**Palais des Beaux-Arts.** Forty Years of Young Belgian Painting, a retrospective of early works by Belgian painters. Closed Monday, ends April 1.
**Musee d'Art Moderne.** Retrospective of the Belgian abstract/expressionist artist Englebert Van Anderlecht (1918-1961). Closed Monday, ends May 13.

**Ghent**

**Museum voor Schone Kunsten.** Flemish Expressionism in a European Context (1900-1930) with works by De Smet, Ernst, Permeke, Van den Berghe and Zadkine. Closed Monday, ends June 10.

**Antwerp**

**Koninklijk Museum voor Schone Kunsten.** Belgian Painters of Country Life. Closed Monday, ends April 22.
**Provincial Museum Voor Fotographie.** Works of the British 19th century photographer William Henry Fox Talbot. Closed Monday ends April 1.

**Venice**

**Palazzo Grassi.** Andy Warhol Retrospective. Until May 27.
**Palazzo Vendramin Calergi.** The game of love: Venetian courtesans from the 14th to the 19th century. In the 1490s the maritime republic succumbed to syphilis – thought to have been introduced by the troops of Charles VIII in 1494. The Venetian social services, however, rose quickly to the challenge, and by the mid-16th century had founded two convents, one for repentant prostitutes and one for young girls at risk, and three hospitals. It was thought better to control rather than repress the trade, and this exhibition is almost a celebration of the profession with contemporary *costume (including the shoes-on-stilts* worn by the girls to make them look taller), and a small but fascinating group of paintings. The finest is Tintoretto's portrait of a courtesan, with *Palma il Giovane's* prodigal son's banquet coming a close second. Ends April 16.
**Museo Correr.** Jacopo Palma il Giovane (1548-1628). On show for the first time is one of the two albums of Palma drawings owned by the 18th century collector Anton Maria Zanetti (the other is in the British Museum) recently acquired by the museum, together with a selection of paintings, mainly of biblical and mythological subjects. Ends April 29.

**Rome**

**Villa Medici.** *Self portraits from* the Uffizi – from Andrea del Sartoto Chagall. Thirty works from the collection started by Cardinal Leopoldo de Medici in the 17th century, marking changes in style and taste over 300 years. Particularly interesting is the fierce and uncompromising self-portrait painted by Ingres in 1858. Until April 15.

**Madrid**

**Fundacion Juan March.** Ian Woodner collection of works by Odilon Redon. A very complete *exhibition consisting of some* 100 works in various media, illustrating the different aspects of the French symbolist painter's work. Ends April 1.

**Barcelona**

**Palacio Tinel.** Baroque Painting in the Mediterranean. The Italo-Spanish festival brings together sixty 17th century works belong*ing to Spain and Italy. Velazquez,* Murillo, Rubens, Van Dyck, Claudio Coello, Testa, Cavallino are but some of the great artists whose works can be admired. Ends March 30.
**Museo Picasso.** Cubist works belonging to the National Gallery of Prague – Kramar Collection. The show includes 17 paintings by Picasso together with an important selection of works by Czech and French artists. Ends April 29.

**Berlin**

**Staatliche Kunsthalle,** Budapes*ter Strasse 42: Lasar Segall* (1891-1957) around 350 paintings, drawings, sculptures and graphics of the Brasilian painter, born in Wilma, are to be exhibited until April 20.
**Braunschweig Kunstverein,** Lessingplatz 12: Gottfried Graubner. Around 100 aquarelles, paintings, and gouaches. Until April 24.

**Mainz**

**Landesmuseum.** Marc Chagall (1889-1985), who died in 1985 was one of the most polular artists of the 20th century. Around 106 of this works, not shown in public before are to be only seen in Mainz until April 22. The gouaches, water-colours, pastels and paintings present themes of the old testament.

**Vienna**

**Kunstsforum.** Works by the Romantics, ranging from Caspar David Friedrich to Adolph Menzel.
**Museum fuer Volkerkunde** has a marvellously exotic exhibition called Jemen, focusing on the world around the Queen of Sheba. Ends June 10.

**New York**

**New York Public Library.** More than 125 documents of the Abolitionist Movement, including photographs, letters and rare books, display the spirit and drive of *the long effort to free the slaves.* Ends Sept 15.
**Centre for International Contemporary Arts.** Large-scale works in pastel and compressed charcoal by 31-year-old British artist David Oliphant, is the first of a series of four shows of young British artists slated for this new, well-received arts institution. Ends April 21.
**Museum of Modern Art.** In its serious, thorough way the museum gives its version of the history of photography, showing off earlier image-developing techniques along with 275 photographs. Ends May 29.

**Washington**

**National Gallery.** A joint Soviet-American collaboration brings together Matisse's fruitful and arguably pivotal work in Morocco during his visit in 1912-13 including 23 paintings *and 45 drawings, among them* the famous Moroccan Triptych from the Pushkin Museum, never before exhibited in America. Ends June 3.
**National Gallery.** Highlighting this decade's renewed interest in printmaking in America, the 100 prints comprise a special exhibit borrowed from the collection of Joshua P. Smith, among them works from major contemporary artists including Jasper Johns, Richard Diebenkorn and Alex Katz. Ends April 8.

**Chicago**

**Chicago Historical Society.** The Land of Lincoln does its most famous citizen proud in the exhibition A House Divided. America in the Age of Lincoln, with docu*ments, mementoes and personal* effects of the Great Emancipator.
**Art Institute.** Yoruba art covering 900 years is the subject of this ambitious exhibition, which traces the Nigerian tribe's views of the origins of the universe in the 12th century to the carvings of contemporary artist Olowe of Ise. Ends April 1.

**Tokyo**

**Isetan Museum,** Shinjuku. Impressionists and Post-Impressionists from the Fogg Museum, New York, including works by Van Gogh, Lautrec, Matisse and Picasso. The Japanese fascination with Impressionism continues unabated, so expect crowds.
**Suntory Museum.** European Posters from the Grandvil Collec*tion. Works by Lautrec and* Mucha, as well as by artists of the Art Deco and Pop Art periods. Closed Mondays.
**Seibu Museum of Art,** Ikebukuro. The Art of Photography. This exhibition has already been seen in US and London and features 270 pictures from photography's first fifty years. Ends April 1.

### OPERA AND BALLET

**London**

**Royal Opera,** Covent Garden. A newly staged production (in old sets) of *Die Meistersinger* by John Cox introduces two renowned Wagner portrayals - Bernd Weikl's Hans Sachs and Hermann Prey's Beckmesser - to London audiences. Final performances of the new production of Strauss's *Elektra*.
**English National Opera,** Coliseum. David Pountney's witty, sharp-edged production of Prokofiev's *The Gambler* is revived. Also in repertory *The Mikado* and the season's final performance of Pountney's polemical (and problematic) *Traviata* production, with Helen Field as Violetta.

**Paris**

**Bastille Opera.** The newly inaugurated opera house continues with *Les Troyens* by Berlioz. (40011789).
**Kirov Ballet** dances *Swan Lake* with the French star Sylvie Guillem. Théâtre des Champs Elysées. (46402511).
**The Russian School of Dancing** starring Vladimir Vassiliev perform Sleeping Beauty, Swan Lake and Nutcracker Suite. (47208637).

**Amsterdam**

**The Netherlands Opera** with *Hänsel und Gretel* by Humperdinck directed by David Pountney.
**The National Ballet** with the world premiere of a new ballet by Rudi van Dantzig to music by Kancheli, *Voorbij gegaan* (Van Dantzig/Chopin), and *Brahms-Schönberg Quartet* by Balanchine (Sat, Tue, Wed). Muziektheater (255 455).

**Barcelona**

**Gran Teatre del Liceu.** Janos Kulka conducts Musorgski's *Boris Gudunov*, with Nicolai Ghiavrov, Eva Randova and Walter Donati.(318 92 77).

**Milan**

**Teatro alla Scala.** Pierre Romans's excellent production of Mozart's *La Clemenza di Tito*, conducted by Ricardo Muti, with Susanne Mentzer, Giovanni Furlanetto and Giuseppe Morino, also first performance of Keita Asari's version of *Madame Butterfly*. (80.91.26).

**Rome**

**Teatro dell'Opera.** Lyrical and sentimental rendering of Massenet's *Werther*, conducted by *Nicola Rescigno, with splendid* performances by tenor Alfred Kraus in the title role and Martha Senn as *Charlotte*. Franco Mannino's *Il Principe Felice* opens this week. (46.17.55).

**Venice**

**Teatro la Fenice.** Luca Ronconi's production of Mozart's *Così Fan Tutte* conducted by Peter Maag, with Anna Caterina *Antonacci, Luciana d'Intino* and Natale de Carolis (5210161).

**Parma**

**Teatro Regio.** Amedeo Amodio's *aterballetto company in his* version of *Romeo and Juliet*, with Elisabetta Terabust and Alessandro Molin (Tues, Wed) (795678).

**Berlin**

**Opera.** *Der Barbier von Sevilla* is a well done repertoire performance. A ballet gala in honour of Eva Evdokomova's 20 years on the stage with three Stravinsky ballets jointly choreographed by *Maurice Béjart and George* Balanchine. *Der Rosenkavalier* returns. *Manon Lescaut* has a strong cast led by Anna Tomowa-Stintow, Giorgio Lamberti and William Murray. *Der Fliegende Hollaender* rounds off the week.

**Hamburg**

**Opera.** *Tosca is* perfectly sung by Leona Michell, Giacomo Aragall, and Ingvar Wixell. *Matthaeus-passion*, danced to music by Bach has wonderful John Neumeier choreography. *Tannhaeuser*, produced by Harry Kupfer under Gerd Albrecht will have its premiere with a first-rate cast led by Rene Kollo in the title role, Linda Plech, *Waltraud Meier, Hans Sotin* and Andreas Schmidt.

**Cologne**

**Opera.** *Simon Boccanegra*, newly *produced by John Dew with sets* by Gottfried Pilz was well received, when it opened last week with Susan Dunn, Dennis O'Neill, Dimitri Kavrakos, Wassili Janualko, Dieter Schweikart, and Frederick Burchinal.

**Frankfurt**

**Opera.** *Ariadne*. Karan Armstrong, Helena Doese, Hellen *Kwon and Michael Sylvester*. Johannes Schaaf made a very successful opera debut as producer of Shostacovich's *Die Nase*.

**Bonn**

**Opera.** Concert versions of *La Donna del Lago* starring Lucia Aliberti, Matine Dupuy, Rockwell Blake and Luca Canonici, conducted by Henry Lewis. The new wonderful lively *Barbier Von Sevilla* production by Willy Decker was well received, when it opened with Ernesto Parlacio, Bruno Pratico, Jennifer Larmore, Alberto Rinaldi and Luigi Roni.

**New York**

**Metropolitan Opera.** Franco Zeffirelli's new production of *Don Giovanni* continues, conducted by James Levine with Carol Vaness, Karita Mattila and Jerry Hadley. James Levine conducts *Die Entfuhrung aus dem Serail* in John Dexter's production with Mariella Devia, Barbara Kilduff and Gosta Winbergh. The last performance of Gian Carlo Menotti's production of *Manon Lescaut*, conducted by Thomas Fulton, features Mirella Freni, Peter Dvorsky and Italo Tajo. Lincoln Center Opera House (362 6000).

**Washington**

**American Ballet Theatre** (Kennedy Center Opera House). Washington premieres of *Brief Fling* and *A Birthday Offering*. (467 4600).

**Tokyo**

**Asami Maki Ballet Company.** *Don Quixote*, performed by the Tokyo Bunka Kaikan (Mon, Tues) (360 8251).
**Sankaijuku.** Japan's leading buto *dance troupe perform a new* work entitled *Shijima*. Bunkamura, Theatre Cocoon. Opens Tuesday.

### MUSIC

**London**

**Ixion Ensemble New Music** conducted by Michael Finnissy, Andrew Toovey Ixion director. James Clapperton (piano). Colin Honour (clarinet). Newman, Dillon, Clapperton (Sun). South Bank Centre (928 8800).
**The City of London Sinfonia** conducted by Heinrich Schiff. Vivaldi, Shostakovich, Beethoven (Sat). Barbican Hall (638 8891).
**City of Birmingham Symphony Orchestra** conducted by Simon Rattle. Haydn *The Creation* (Fri). Barbican Hall (638 8891).

**Paris**

**Orchestre Philharmonique de Radio France** conducted by Gilbert Amy. Debussy, Frederick Martin, Ligeti, Giraud (Mon). Radio France, Grand Auditorium (42301516).
**Orchestre de Paris and Ensemble Intercontemporain** conducted by Semyon Bychkov and Peter Eotvos. Kurtag, Alsina, Berio (Wed, Thur). Salle Pleyel (45630796).

**Amsterdam**

**Royal Concertgebouw Orchestra** with Viktor Liberman (violin), Mariss Jansons conducting. Weber, Prokofiev, Berlioz (Wed, Thur). Concertgebouw (718 345).

**Utrecht**

**Ravi Shankar** with Kumar Bose and Partho Sarathy (Sat). Vredenburg (31 45 44).
**Amsterdam Baroque Orchestra** *conducted by Ton Koopman.* Bach (Wed). Vredenburg (31 45 44 ).

**Brussels**

**RTBF Symphony Orchestra** conducted by Thomas Sanderling with Stoika Milanova (violin). Bruch, Dvorak and Handel (Fri). Palais des Beaux-Arts.
**Leningrad Symphony Orchestra** conducted by Alexandre Dmitriev Beethoven, Borodin and Shostakovich (Mon). Palais des Beaux-Arts.
**Belgian National Orchestra** conducted by Stanislaw Skrowaczewski. Barber, Mozart and Shostakovich (Thur). Palais des Beaux-Arts.

**Antwerp**

**Ensemble Musique Oblique** and *the Chapelle Royalle conducted* by Philippe Herreweghe with Agnes Mellon (soprano) and Peter Kooy (baritone). Bruckner and Faure (Fri).
**Shostakovich Quartet** performing the full cycle of his string quartets (Tues, Wed). De Singel.

**Frankfurt**

**Gerhard Oppitz** piano recital with an all Brahms programme (Fri). Alte Oper.

**Berlin**

**Tokyo string quartet** plays works by Haydn and Beethoven (Sat). Philharmonie.
**I Musici di Roma** plays works by Vivaldi, Bach, Rolla and Mozart (Sun). Philharmonie.

**Milan**

**Salvatore Accardo** (violinist) and Bruno Canino (pianist) playing Mozart sonatas (Mon). Teatro alla Scala. (80.91.26)

**Florence**

**Leonard Slatkin** conducting Mozart's clarinet concerto, with Richard Stoltzman, Shostakovitch and Purcell (Fri,Sat and Sun). Teatro Comunale (2779236).

**Rome**

**Umberto Benedetti Michelangeli** conducting Schumann with and Mozart (Sat-Tues). Auditorium in Via della Conciliazione (6541044).

**Madrid**

**Spanish National Orchestra** conducted by Jan Krenz. Prieto, Chopin, Barber, Roussel (Fri, Sat, Sun). Auditorio Nacional de Musica (337 01 00).

*New American Chamber Orchestra* conducted by Misha Rachlevsky. Rossini, Haydn, Janacek, Cervello (Wed). Fundacion Caja de Pensiones (317 57 57).
**Orquestra Ciutat de Barcelona** conducted by Franz-Paul Decker, with Nigel Kennedy (violin). Hindemith, Elgar, Debussy. Palau de la Musica Catalana (301 11 04).

**New York**

**Philadelphia Orchestra** conducted by Riccardo Muti. Berlioz, *Wagner, Scriabin (Tue). Carnegie* Hall. (247 7800).
**New York Philharmonic** conducted by Christof Perick with Kyung Wha Chung (violin). Weber, Sibelius, Beethoven (874 6770).

**Washington**

**National Symphony Orchestra** conducted by Sir Neville Marriner. Mendelssohn, Vaughan Williams (Tue); conducted by Jerzy Semkow. Berlioz, Lalo, Rachmaninov (Thur). Kennedy Center Concert Hall(467 4600).

**Tokyo**

**Tokyo Symphony Orchestra.** Works by the contemporary Japanese composer, Minoru Miki, including the premiere of Beijing Requiem. (Thur). Suntory Hall.



## FT LAW REPORTS

# State is not immune from Mareva

**A COMPANY LTD v THE REPUBLIC OF X**
**Queen's Bench Division (Commercial Court): Mr Justice Saville**

A STATE'S contractual waiver of sovereign immunity from UK proceedings in claims arising out of a commercial transaction, extends to Mareva injunctions freezing its assets for possible judgment execution, in the absence of express words to the contrary; but it does not extend to Mareva injunctions over assets which are protected from execution by diplomatic immunity in that they are held on mission premises or a diplomat's private residence, unless the state has undertaken to the court to consent to waiver.

Mr Justice Saville so held when discharging part of a Mareva injunction obtained *ex parte* by a company against the Republic of X, insofar as it encompassed property protected by diplomatic privilege.

HIS LORDSHIP said that the company claimed $2m from the Republic of X under an agreement dated October 13 1988.

It alleged that under that agreement, X undertook to pay for rice delivered under an earlier agreement, by delivering to the company quantities of coffee and cocoa.

The company claimed that insufficient cocoa and coffee were shipped, and that in spite of demands, X had failed to pay any of the amounts outstanding. It was given leave to serve a writ on X out of the jurisdiction.

On August 8 1989, Mr Justice Judge granted Mareva relief against X. He ordered that it be restrained until further order from removing its assets out of the jurisdiction or dealing with them, insofar as they exceeded $13m; and from drawing on its accounts at Swiss Bank and Midland Bank so as to reduce the balance below $13m.

On December 11 1989, X applied for orders that the Mareva injunction be discharged, and for declarations that (a) by section 13(2)(a) of the State Immunity Act 1978, injunctive relief could not be given against it; (b) by section 13(2)(b) its property was not subject to process for enforcement of judgment; and (c) by section 3 of the Diplomatic Privileges Act 1964 and articles 22 and 30 of the Vienna Convention 1961, its mission premises and its diplomats' private residences were immune to execution.

Section 1(1) of the State Immunity Act provided that, with exceptions, a state was immune from the jurisdiction of UK courts.

Section 2(1) provided that a state was not immune from proceedings "in respect of which it has submitted to the jurisdiction" of the UK courts. Section 2(2) provided that a provision in an agreement that the state was to be governed by UK law was not a submission to the jurisdiction.

Clause 6 of the October 13 agreement provided that X "hereby waives whatever defence it may have of sovereign immunity for itself or its property."

Clause 7 provided: (a) that the agreement should be governed by English law; and (b) that any dispute arising from cocoa and coffee actually delivered to the company, should be resolved in London in accordance with the rules of the Coffee Trade Federation or the Cocoa Association.

X accepted that clauses 6 and 7 constituted an effective submission to the court's jurisdiction in respect of claims under the agreement, but not in respect of the Mareva injunction.

First, X argued that by section 13 of the State Immunity Act, no Mareva injunctions ought to have been granted.

Section 13(2) provided that subject to subsections (3) and (4), "(a) relief shall not be given against a state by way of injunction . . . and (b) the property of a state shall not be subject to any process . . . "

By subsection (3), that did not prevent the giving of relief or issue of process "with the written consent of the state concerned." By subsection (4) it did not prevent the issue of process in respect of property used "for commercial purposes."

X contended that clause 6 of the agreement did not amount to its "written consent" within the meaning of subsection (3), so that the court had no power to grant the injunction; and that it should not in any event grant Mareva relief in respect of property that could not, by 13(2)(b), be taken to satisfy a judgment, unless it fell within 13(4).

It submitted that clause 6 referred to waiver of defences, not to consent to the relief referred to in 13(2)(a) or the processes referred to in 13(2)(b).

Also, it submitted that since section 13 dealt with privileges rather than immunities, and since clause 6 concerned only "immunities," there was no written consent to the relief or processes covered by section 13.

The arguments were not accepted. Read in the context of what was undoubtedly a commercial bargain, the intent and purpose of clause 6 was quite clear – namely to put the state on the same footing as a private individual so that neither in respect of the state nor its property, could any question of sovereign immunity arise in connection with the state's obligations to the company.

Mr Jacobs, for X, argued that the court should adopt a restrictive interpretation of such clauses, since one of the parties was a sovereign state.

The court disagreed. International law had long moved away from the concept of abso*lute sovereignty and*, in general terms, recognised no immunity from suit in respect of ordinary commercial transactions.

The present case was concerned with an ordinary commercial transaction. There was no reason why clause 6 should not be construed in accordance with ordinary principles of construction for commercial contracts, by looking at the bargain as a whole in context and giving the words, if capable of bearing it, a construction which accorded with commercial common sense.

As to the suggested distinction between immunities and privileges, that was a highly legalistic argument that could not be accepted. In ordinary language, the privileges afforded by section 13 could properly be described as "immunities."

There was no reason why, if clause 6 could be construed as a consent to enforcement of judgments and awards within section 13(3), it should be limited to consent to process and not to Mareva injunctive relief.

Clause 6 clearly did amount to the state's consent that its property could be made subject to Mareva injunction.

Second, X argued that under the Diplomatic Privileges Act, *its London High Commission* premises and other property were immune from attachment or execution, and so could not be made subject to injunction.

The Act gave force of law to *those parts of the Vienna Convention* contained in its schedule, including articles 22 and 30.

Article 22 provided that "1. *The premises of the mission* shall be inviolable . . . 3. . . . immune from search." Article 30 provided that "1. The private residence of a diplomatic agent shall enjoy the same inviolability . . . 2. His . . . property shall likewise enjoy inviolability."

Part 1 of the State Immunity Act (sections 1 to 17) did not affect immunity or privilege conferred by the Diplomatic Privileges Act (see section 16, SIA).

It followed that whether clause 6 of the agreement amounted to consent within section 13(3) of the State Immunity Act was irrelevant to whether the state could waive its immunities under the Diplomatic Privileges Act.

The state argued there was no power to waive those immunities.

The court was not persuaded that that was so. Whether it was right did not matter, since it agreed with Mr Jacobs that on the authorities no mere *inter partes* agreement could bind the state to such a waiver. It could be bound by an undertaking or consent given to the court *when asked to exercise* its jurisdiction in respect of the subject matter of the immunities (see, for example, *Kahan v Pakistan Federation [1951] 2 KB 1003*).

No such undertaking or consent had been forthcoming in the present case.

It followed that, insofar as the injunction affected property encompassed within articles 22 and 30 of the Convention, it should not have done so, and to that extent should *be modified or discharged*.

Certain bank accounts held in the the name of the X High Commission were not encompassed in article 22 or 30. Property outside the protection of the Diplomatic Privileges Act were dealt with under section 13 of the State Immunity Act.

*For the company: Nicholas Chambers QC (Clyde & Co). For X: Robin Jacobs QC (Clifford Chance).*

**Rachel Davies**
*Barrister*

ARTS

# Peter Ustinov

**THEATRE ROYAL, HAYMARKET**

It was a night of novelty and predictability, this audience with Peter Ustinov. The surprises happened before the man appeared. There was none of that namby-pamby sucking up to the press: not a sniff of a free (as against a £2.50) programme for the critics, and my seat was placed squarely in the middle of a row to prevent the traditional speedy escape.

But as soon as Mr Ustinov walked on to the stage, empty, bar a stool and an enlarged self-portrait, familiarity established itself. Every family has its own favourite stories and it is appropriate that Peter Ustinov, who spends much time working for UNICEF to make the world one big happy family, should, over the years through appearances on chat shows, have made his stories so well known that they seem like our own.

And just as we grin and bear it when granny embarks on the one about the day she met Queen Mary so we bear it (and sometimes grin) when Mr Ustinov lets off a good one. Most were in the first half when he was personal.

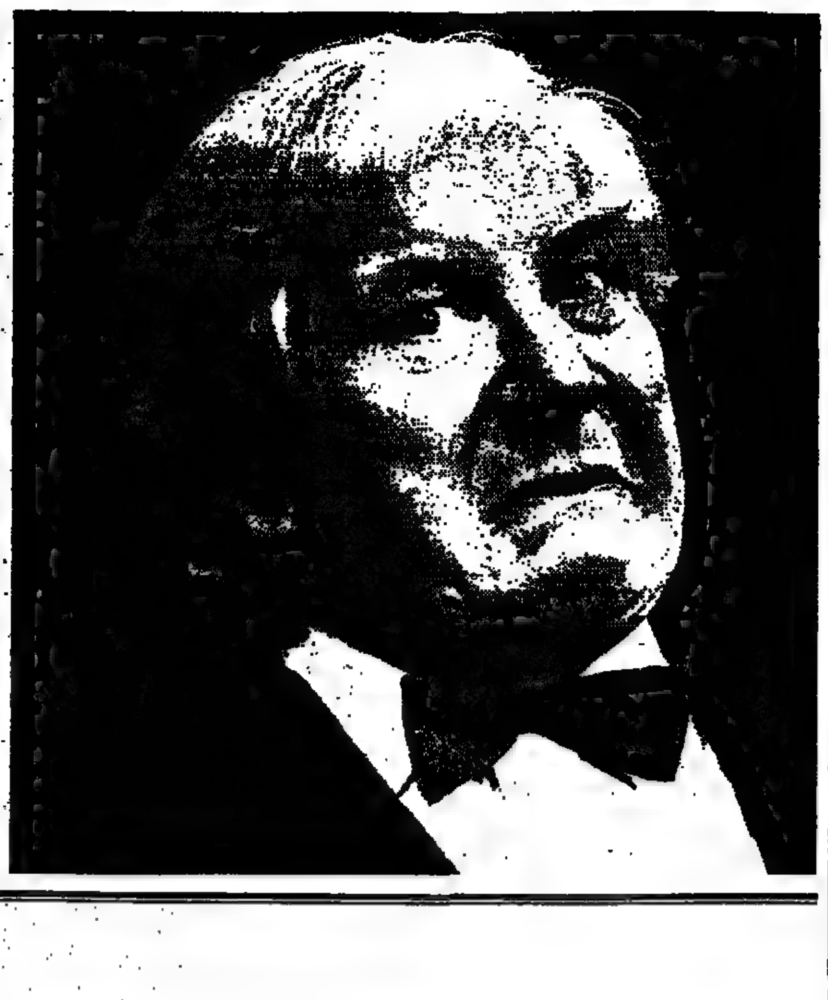
There is actually no need for a programme because he gives us a detailed life history, starting with conception in Leningrad, and birth in Swiss Cottage, then through school, the army and an actor's life. He is amusing about prep schools in the 1930s and about his days at Westminster where he watched in amazement the daily arrival, complete with Nazi salute, of fellow pupil Ribbentrop's son.

It has to be said (and an audience packed with thespians will be glad I can say it) that the best moments came with his recollections of those four theatrical knights who will provide copy for their fellows for ever – Guinness, Olivier, Richardson, and Gielgud. Whatever Mr Ustinov's faults he is a natural mimic and pulls off the precious disdain of Gielgud and the manic familiarity of Richardson to perfection.

After the break we went around the world in 80 jokes and then some serious stuff about working for UNICEF where his life comes full circle. Apparently at his progressive drama school the students had to be an animal of their choice for a term: he now communicates with Chinese children in the form of a dove and with Africans as a dog.

As Ustinov says, he is approaching that stage in life when the quantity matters more than the quality, and there were traces of anecdotage before he rounded off with musical impressions. It is all very familiar, but most of the jokes are worth repeating again . . . and again . . . and again.

**Antony Thorncroft**



# Embrace Tiger

**SADLER'S WELLS**

When Glen Tetley made *Embrace Tiger and Return to Mountain* in November 1968, the Rambert troupe was just coming to grips with a change of identity. The time was a crucial one for British dance: Robin Howard and Robert Cohan had just established the London Contemporary organisation; Norman Morrice had lately set about guiding what was then Ballet Rambert along its path as a company dedicated to different and modern choreographic ideals. The idea of "modern dance" was still fresh and unfamiliar, and Glen Tetley's choreographies for Rambert and for Nederlands Dans Theater were a potent influence upon the way audiences perceived – and enjoyed – the new forms of dance.

Now revived by what has become the Rambert Dance Company, *Embrace Tiger* has the historical interest of any seminal period piece in any art form. (I sometimes think such works should be called *Look Back in Amazement*). It is placed in a programme with two works that illustrate the distance Rambert has travelled since *Embrace Tiger* showed Tetley's amalagam of classic and modern movement – and a section in *Embrace Tiger* in which one dancer appears on point tells how unconvincing such activity was as a bid for a "classical" stance. The two works representative of today's Rambert in this programme – Alston's *Strong Language* and Siobhan Davies' *Embarque* – boast a far more essential classicism of form and spirit.

Yet *Embrace Tiger* is still effective: ravishing to look at in Nadine Baylis' design, it contains eye-catching moments of repose or sinuous unfurling of action inspired by the T'ai Chi exercise that gives the piece its name, and it is well danced. Well danced, too, is the novelty of this evening, Gary Lambert's *Longevity*. A duet for two men – the choreographer and Colin Poole – it has as accompaniment and theme passages from Martin Luther King's speeches. Lambert's dances are securely made; the piece's attitudes are properly admiring. Unsurprisingly, they cannot add one iota to the force of the words we hear.

*

For dance-lovers, this Sunday's *South Bank Show* on LWT offers a brilliant study of the work of Mark Morris. Readers of these columns will know of the admiration we have for Morris's dances and dancing. In *The Hidden Soul of Harmony*, Nigel Wattis has directed a revealing and delightful interview with Morris, and has filmed parts of Morris's *L'Allegro* with a skill and sensitivity that do proper justice to a radiant masterpiece. The portrait is true and not to be missed.

**Clement Crisp**

# Handel in Karlsruhe

The "Händel Renaissance" began in Göttingen in 1920, with production of *Rinaldo*. It reached Karlsruhein 1924, with the first modern revival of *Tamerlano*, and Karlsruhe has ever since been a Handel centre. Since 1978 there has been a new production each year, and since 1986 a gathering of productions, revivals, masterclasses in Baroque practice, and a scholarly conference into a spring festival. Karlsruhe is a pleasant city to visit in spring. I left a chilly New York for a town filled with drifts of crocuses; lunched in shirtsleeves on the terrace of the castle that Karl Wilhelm of Baden built for his Repose; was wakened in my mid city hotel by a blackbird singing. This year, the productions were of *Admeto*, *Imeneo*, *Belshazzar*, and (but after I had left) the pasticcio *Oreste*; and the theme of the conference was "Händel und RegieOper" (or "producers' opera").

RegieOper is the norm in Germany; period reconstruction was scarcely mentioned. I think I may have injected a dissident note with my plea for distinguishing between producers, like Peter Sellars, who take Handel seriously, as a great dramatist, and producers who think that the operas are quaint, absurd old pieces that need jazzing up without respect for the musical structures if they are to engage modern audiences. Since 1978, the Karlsruhe shows have been designed by Heinz Balthes (and produced, often, by Jean Louis Martinoty). Now Balthes, like many another operatic designer – Ponnelle, Zeffirelli, Pizzi, Karl Ernst Herrmann has taken up production as well. His *Admeto* was set, much of the time, on a giant stage spanning bed, big enough to be paced as a ramp, with a railed headboard that could be emoted through as if through prison bars. A good deal of play was made with acres of parachute silk, wrapping the characters or wraithing the stage. It was all rather elegant in its way, but it "distanced" the emotions of Handel's drama. "Ironisierung" was a recurrent word in the discussions; it seemed to mean casting a quizzical contemporary eye at the composer and his works and their conventions (rather than embracing them and bringing them to life again with Sellars-like burning conviction).

Nicholas Hytner's *Giulio Cesare*, much though I admire its cool, precise elegance, is a shade too "ironic" for my taste; this slick Karlsruhe *Admeto* drained the opera of its passions. It was not badly sung. In the title role, Paul Esswood was fluent, if not incisive. Kathleen Cassello and Nemi Rouilly Bertagni, the Alcestis and Antigone, sang ably. Graham Pushee, though camply produced, was a vivid Trasimedes, with a command of words and a swiftness and pungency in recitative that put the others to shame.

Since 1978, Charles Farncombe has brought to Karlsruhe a Handelian understanding acquired through decades of leading the Handel Opera Society. He has a sure command of tempos and scene shaping. He can persuade the house Lucia, Rodolfo, Amonasro to sing Handel without "pressurising" and pushing. From the German Handel Soloists, a band of mixed merit, he drew reasonably animated playing.

*Admeto* was done in the big house, which holds 1100. The "operetta" *Imeneo*, conducted by Mr.Farncombe in the small, 350 seat house, was more winning. It was the sort of production I normally hate, larded with jokes involving scenery and props rather than character. But the high spirits I was seeing the last night of a two season successful run were based on a thorough, and thoroughly musical, command of the score. It was a musically exuberant, not merely a scenically exuberant, account of a mastered and captivating score, in an attractive and witty Balthes set.

Turid Karlsen and Miss Rouilly Bertagni were delightful heroines. Jean Nirouet, the Tirinto, is yet another countertenor to add to today's long list of the men who make the "castrato problem" a problem no longer, for his voice rings strong, steady, lithely, and true. Edward Gauntt was lively in the title role. But *Belshazzar*, an East German import from Halle, was awful: a butchered text and an absurd production. The Babylonian chorus teetered on with champagne glasses in hand, shimmying. Babylon was represented by a toy city pushed out over the footlights, but the blue neon strips surrounding it did not reflect Cyrus's crucial deflection of the Euphrates. The soloists with one exception bawled crudely. The exception was Mr. Pushee, who sang Daniel, the exponent of Nebuchadnezzar's dream, with expert control and delicacy. Gert Bahner conducted a slow, heavy, dreary, thoroughly unHandelian performance of Handel's animated musical drama.

Paul Esswood as Admeto

**Andrew Porter**

NEW YORK

# Plethora of modern dance

New York continues to afford an incomparably benign climate to dance. In an off-peak period it has more dance activity than other cities have during their dance festivals. While I was there for ten days in late February – not its busiest dance period – one could catch New York City Ballet (eight performances per week), the Warsaw Ballet (a weekend of *Giselle* at Brooklyn College), the Jose Greco Spanish dance company at the Joyce Theater, the transvestite Ballets Trockadero de Monte Carlo at City Center, and various items of (post-)modern dance or performance art in downtown Manhattan at Dance Theatre Workshop, St Mark's Danspace, PS122, La Mama and the Dia Foundation. I have sometimes in New York, with matinées and late-night performances, caught eleven performances in a week; it is sometimes possible to catch more.

To enumerate the activities of certain days is to risk sounding manic. It is not unusual on a Sunday afternoon, as I did again this February, to catch two-thirds of a matinee programme at New York City Ballet at 1 o'clock, to head off elsewhere for a 3 o'clock matinee at Dance Theatre Workshop or City Center and then, after dinner, to head back for City Ballet's 7 o'clock performance. On one February Saturday afternoon I caught, at 2, a matinee of a play, next the last two string quartets of a Juilliard Quartet Beethoven programme at Alice Tully Hall and then a display of several American groups in English folk dancing at Grand Central Station; the group of dance critics I then dined with had planned to part company in quest of various modern-dance events that evening, but late news of a cast-change at City Ballet had us all heading off to standing room at the State Theater. No wonder that New York dance critics start to look wiser-than-thou and very kind when British dance critics sometimes describe themselves as hard-pressed.

It goes without saying that much of all this dance activity is not good. In this category let me briefly describe Steve Gross's evening of performance art at PS122. Gross and some of his seven colleagues are fair performers: that is, they show that they have a place onstage. This is less common, in any city, than you might believe; and it was the best thing about the show. Though not the most memorable.

The four works presented various watchable examples of nonsense behaviour, sometimes with complete or partial nudity, and explored ironies between recorded sound and stage action. So, for example, to a recording of "Without You," Gross himself did grands pliés slowly in a T-shirt that was safety-pinned between the legs. Later he removed the safety-pin, so that every slow descent into grand pliés brought his genitals into view. In between, he put three condoms (each a different colour) on a peeled banana, and then ate the banana with a spoon. Elsewhere there was an arresting episode for women in states of undress, with one woman, nude with a fur coat, showing an interesting bitterness. And so on. I guess I'd go to see Gross's work again; but on this evidence I wouldn't make it a habit.

Better his naughty edginess than Carol Clements' leaden efforts at humour, danced and loosely fitted to music, at Dance Theatre Workshop the following afternoon. "Go Cross-Cultural and Lose Your Inhibitions" was the motto. A flower-power girl empathised with a Japanese girl, a 1940s spinster type started to lose her twitchy angst beside the primitive angst of a wild woman of Wonga, a woman in Elizabethan farthing did things with a peasant, a Victorian lady in black bombazine revealed guilty Lesbian yearnings with three Greek nymphs, and – and I've forgotten the rest. There wasn't an idea that was interesting for more than five seconds and there wasn't one that didn't last an age.

Yes, well. It is a relief, I suppose, that New York produces as much worthless modern dance as any other country. A more serious relief is that, whereas the worthless modern dance of other countries starts to show certain common tendencies (so that the awfulness is part of the national style), this seems not to be true in New York. The dominant influences on New York dance are still those we know – Balanchine, Graham, Cunningham, Taylor and the Judson Church initiators of postmodern dance. Twyla Tharp was the great artist to emerge in the late 1960s and early 1970s, Mark Morris the great discovery of the 1980s, and several other exciting dancer-choreographers have appeared in those years. Is there any new meteor on the horizon? I hear of none, and have seen none. It's still easy, however, to think that when the next one is spotted, it'll be in one of the many dance spaces of New York.

**Alastair Macaulay**

# 'Crazy Girl' in concert

As interest in the classic musical comedies of the first three decades of this century grows, so does the number of groups who put on revivals or concert performances of shows by such composers and lyricists as Jerome Kern and P G Wodehouse, Richard Rodgers and Lorenz Hart, Cole Porter (always his own lyricist), and George and Ira Gershwin.

The New York Festival of Song, which has won a good reputation with its programmes of new and rediscovered vocal music, is the latest to get into the act, with a recent concert version of the Gershwins' *Girl Crazy*. The show originally opened on Broadway just under 60 years ago, in October 1930. The score included some of the Gershwins' best-loved songs, among them "Embraceable You," "But Not For Me," and "I Got Rhythm." The first two were sung by Ginger Rogers, then a nineteen-year-old ingénue. "Embraceable You" was staged for her by Fred Astaire – the first time they worked together. "I Got Rhythm" was sung by Ethel Merman, a former stenographer, making her Broadway debut. Adding to the show's musical distinction was the presence in the pit band of Benny Goodman, Glenn Miller, Jack Teagarden, Jimmy Dorsey, and Gene Krupa, playing Robert Russell Bennett's orchestrations.

Though *Girl Crazy* has never been revived on Broadway, there have been no fewer than three film versions, of which the best known is the one starring Judy Garland and Mickey Rooney in 1943, which, unusually, used most of the original score.

An important factor in the exploration of classic musical comedy is the existence of a number of talented young singers who specialise in its idiomatic performance, some of whom have constituted what is virtually a repertory company for the performances and recordings conducted by John McGlinn, the leading scholar and advocate of this American art form.

But this is also a field into which "legit" or opera singers have been lured, partly, one assumes, because their names help to sell recordings. The New York Festival of Song cast *Girl Crazy* almost exclusively from the latter category, demonstrating once again that some artists make this "crossover" more convincingly than others. The only representative of the former group was the almost indispensable Kim Criswell, who appears to have survived the ill-fated Broadway production of *Threepenny Opera* relatively unscathed. She sang the Merman role in McGlinn's recent recording of Porter's "Anything Goes," but did the Ginger Rogers role here. She was one of the few people who brought a sense of character and of theatrical atmosphere to the stage of Alice Tully Hall at Lincoln Center.

The Merman role, disastrously, was given to Gweneth Bean, who has sung feature contralto roles at the Metropolitan Opera. One would not, of course, want her to imitate Merman, but her songs in this score, which include "Sam and Delilah" and "Boy! What Love Has Done To Me" in addition to "I Got Rhythm" demand at the very least a certain physical vitality, rhythmic precision, and clarity of diction. It is not enough to snap a finger, shrug a shoulder, cast a knowing look at the audience.

One of the dangers in this kind of performance is that of reducing the whole thing to the level of camp by appealing to that element in the audience that finds irresistible the spectacle of an opera singer letting her hair down.

The performance was semi-staged, with even a couple of so-so dance numbers. The actors had learned their songs and the few lines that were spoken. Mercifully, they were not amplified, but on the other hand the lyrics were not always audible. It's probably true that the book by Guy Bolton and John McGowan would not stand up to an unadorned reading or recitation (as the Bolton-Wodehouse books for Jerome Kern have done in McGlinn's concert performances), but a facetious summary read by a compère (Linda Lavin) is not a good substitute. It only adds to the general air of cute condescension.

All the songs that made it to Broadway were performed, with the addition of "You've Got What Gets Me," written for the 1932 film version. The sparkling original orchestrations were played (for the first time since the Broadway run, it was said) by an orchestra conducted by Michael Barrett, with Steven Blier playing the important piano part. But Barrett and Blier are the co-directors of the New York Festival of Song, and must bear the responsibility for the miscalculations in casting.

**David Vaughan**





## ARTS GUIDE

March 23-29

### THEATRE

#### London

**Anything Goes** (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).

**Jeffrey Bernard is Unwell** (Apollo). Tom Conti has taken over from Peter O'Toole as an alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs. (437 2663).

**Another Time** (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent is a means of escape and a reason for not going back. Janet Suzman and Sara Kestelman are electrifying in support (867 1116).

**Aspects of Love** (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

#### New York

**The Sound of Music** (New York State). The New York City Opera performs the Trapp Family saga starring Debby Boone as Maria and Laurence Guittard as Captain von Trapp. Ends April 22.

**Heidi Chronicles** (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

**Gypsy** (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).

**Grand Hotel** (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscrossing in an elegant, but somewhat random setting (246 0102).

**Sweeney Todd** (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

**Lend Me a Tenor** (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

**Jerome Robbins' Broadway** (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

**Les Misérables** (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

**M. Butterfly** (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

**Phantom of the Opera** (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

#### Washington

**Stardust** (Eisenhower). Betty Buckley stars in a new musical compendium featuring the music of Glenn Miller, Duke Ellington, Hoagy Carmichael among others. Ends March 25. (467 4600).

#### Chicago

**'Tis Pity She's a Whore** (Goodman). Jo Anne Akalaitis of the Mabou Mines troupe directs John Ford's classic about incest, set here in Italy of the 1930s and starring Lauren Tom as Annabella and Jesse Borrego as Giovanni. Ends April 7. (443 3800).

**Steel Magnolias** (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

**I'm Not Rappaport** (Briar St). Shelley Berman, one-time standup comic, now plays Nat, Herb Gardner's memorable Central Park character who gags his way through the 1986 Tony Award winner (348 4000).

**The Good Times are Killing Me** (Body Politic). This City Lit production of Lynda Barry's first play captures an American childhood with poignant zaniness (871 3000).

#### Tokyo

**King Lear** (Tokyo Globe Theatre). The Renaissance Theatre Company, led by Kenneth Branagh, (with Richard Briers cast surprisingly in the title role). (360 1151).

**Hamlet** (Ginza Hakuhinkan Theatre). Yuri Lyubimov's controversial production was originally seen in Britain and has since been on a world tour. The acting tends to be upstaged by the continuously moving curtain that dominates the set. (535 0555).

**Hanshin** (Theatre Apple, Shinjuku). Revival of the 1988 play by Hideki Noda, the darling of Japan's fringe. Wordplay, frenetic action and acrobatics form the basis of Noda's style, and can be enjoyed by those with only a minimum of Japanese. (5478 0771).

SALEROOM

# Getty gets 'Irises'

The purchase by the Getty Museum of Malibu California of Van Gogh's "Irises" is the happiest possible conclusion to one of the art world's most sordid episodes. Mr Alan Bond acquired "Irises" at Sotheby's in 1987 for $53.9m., half the purchase price being financed by a loan from the saleroom. The sum was a record for any work of art at auction and was instrumental in steadying nerves following Black Monday a week or so earlier.

But almost immediately Mr Bond was in commercial trouble and being chased by creditors. For over a year now he has been trying to dispose of the picture. Unfortunately his keenness to sell, at $65m, deterred the Japanese corporate museums who would have been the obvious purchasers. They waited for a lower price and were eventually put off by the feeling that this was an unlucky picture.

By going to the Getty the "Irises" immediately acquires museum respectability in line with its undoubted brilliance as a work of art. The price paid is a secret but will probably be somewhere between $50m and $55m, or just over £30m. It is quite likely that Alan Bond is taking a loss – the interest he has paid on the loans that he has been meticulously repaying to Sotheby's will have eaten up an additional $5m.

The main gainer is Sotheby's who negotiated the deal. It has already changed its working practices and no longer gives loans using the work of art to be purchased as immediate collateral. Its reputation suffered by such aggressive selling and now that it has got its money back it can improve its image.

The Japanese are not the greatest buyers of their own heritage but they were prominent at Christie's sales in London this week and contributed to a successful total of £1.9m, with only 11 per cent unsold. Kakiemon porcelain did exceptionally well with a top price of £220,000, three times estimate, paid for a pair of rectangular 18th century Kakiemon vases decorated with birds and flowers. A two leaf 18th century screen with flowers on a gold paper sold yesterday for £24,200 as against a top estimate of £5,000.

At Christie's South Kensington a Shibayama saddled elephant made of ivory and mother of pearl in Japan during the Meiji period of the 19th century did well at £11,000 but the highlight at this auction house yesterday was the world auction price paid for a Dinky toy – £3,080 for a "Guy Warrior" Heinz van, first produced in 1960.

**Antony Thorncroft**

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Friday March 23 1990

# Breaking up is hard to do

TWO POSSIBLE disasters attend the events in Lithuania. One is the consequence for Mr Mikhail Gorbachev of pushing his present policy of raising tension to a full scale military clampdown. That would drag him into an occupation of the republic. Violence would almost certainly be used, the fragile democratisation process would be shattered and those in the west bending over backwards to "support" him on this issue would be alienated.

That is clear enough, presumably to him more than anyone. This is why his intimidatory actions have been accompanied by pleas for the Lithuanians to observe due process in their search for the independence which – Soviet officials and analysts say – he has conceded they will get.

The second is the consequence for the Lithuanians of demanding instant independence. If granted, it would ruin them. Like all other Soviet republics, Lithuania is heavily dependent on the rest of the Union – most of all on Russia – for its supplies, especially of raw materials and energy. Its goods, notably the electronics, in which it specialises, are of rather higher quality than elsewhere in the Soviet Union, but not of world quality. The hoped-for independent currency would be of little value unless links were severed with the rouble, but there are no hard currency reserves with which to support convertibility.

The West's obvious desire not to rock Mr Gorbachev's boat means that aid from that quarter would only materialise *in extremis*, and then only in the form of humanitarian assistance. The most likely outcome of independence, if achieved too soon and without agreement with the Soviet Union, would be impoverished autarky.

### Lithuanian bluff

It is not clear why Mr Gorbachev does not call the Lithuanian bluff, by conceding the right to independence and then – as President de Gaulle did with the then French colony of Guinea in 1958 – ripping out the centrally controlled infrastructure and leaving the Lithuanians to it. He is presumably restrained by the strong sentiment in his party, and in the Supreme Soviet, which is hostile to any further concessions to the nationalist movements. It is to placate them that he has undertaken the strategy of bullying and threatening.

Both sides, then, have more to gain from jaw than war. Mr Gorbachev has said he will talk, but not negotiate: the semantics are probably unimportant, for some sort of bargaining will have to start.

### Moral case

Both sides have good hands. The Lithuanians have a solid majority for independence, an overwhelming moral case in the illegal incorporation of their state into the Soviet Union in 1940 and an economy and society more open to the west than any other part of the Union (except for Latvia and Estonia). Mr Gorbachev has the economic levers as the stick, and as a carrot, the promise of legislation, already drafted for bringing forward to the present session of the Supreme Soviet, which will lay down a five-year process under which republics can gain independence.

Five years is likely to be too long for the Lithuanians – the time period would be a big part of any deal – but the complexity of unpicking the constitutional, economic and cultural links between the republic and the union will be complex and cannot sensibly be rushed. Furthermore, the promised economic reform of the Soviet Union gives Lithuanians the hope that the transition to the market economy that they must make could be managed within a reforming Soviet Union and not by a tiny country, shivering in economic isolation.

If Mr Gorbachev is sincere about letting Lithuania go, he must have accepted that other republics can and will go too. If so, he has already implicitly assumed the herculean task of de-imperialisation. It is much more satisfying for the Lithuanians, and for those of us who support their long violated desire for freedom, to assert their rights immediately. But they need a deal. Mr Gorbachev still represents the best chance for them and all the suppressed nations of the Empire to get one.

# Home truths on the City

SINCE THE Thatcher Government first unveiled its proposals in the early 1980s for the liberalisation of the old London Stock Exchange, the importance of maintaining London's competitive advantage as an international financial centre has been an important priority of both ministers and City practitioners. Yet the radical reforms designed to increase the internationalisation of London's markets in the 1980s have failed to deliver uniformly satisfying rewards.

In the domestic securities markets, where fixed commissions were scrapped after Big Bang, too much capital continues to chase inadequate returns. This has exacerbated the managerial strains in the City's new banking and securities conglomerates: the resignation this week of the chief executive of Britain's leading agency broker James Capel, after a disagreement with the firm's Hongkong parent, is simply the latest in a long line of unsentimental departures.

In contrast, activities that have been largely unaffected by the liberalising tendency, such as the merchant banks' traditional merger and acquisition business, have become both more international and more lucrative. That much is clear from BAT Industries' claim that it has already paid £35m in defence fees in its battle against Sir James Goldsmith's Hoylake consortium. There has also been a batch of spectacular profits increases this month from the City's merchant banking old guard.

### Share dealing

A growing band of industrialists, meantime, question the the value to the wider economy of all this share dealing and takeover activity. Others feel equally uneasy about the increasing remoteness of the City from the concerns of private investors.

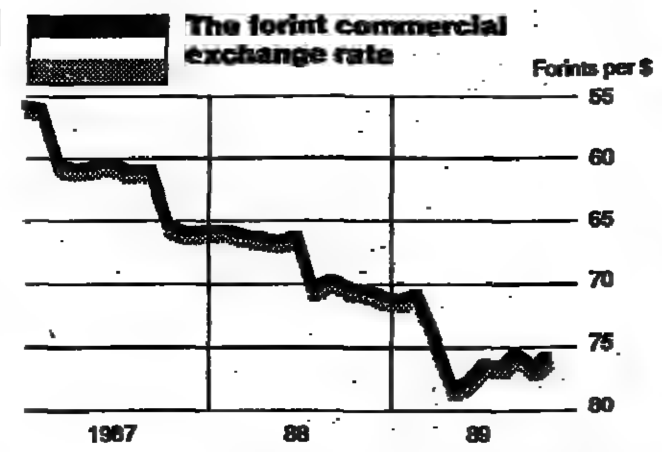
It may be that the pendulum is finally about to swing back in a domestic direction. One straw in the wind is the evident preoccupation of a committee under Mr Nigel Elwes, at the International Stock Exchange, with the difficulties of the private investor. The proposed overhaul of the exchange's domestic equity market, of which details were published on Monday, acknowledges that smaller investors have faced penal dealing costs since Big Bang. The Elwes committee's suggestions for an automated second-tier market for small deals, and for a new matching system in which buyers and sellers would completely by-pass the market makers, has run into predictable opposition. But they deserve a more sympathetic hearing than they have so far received.

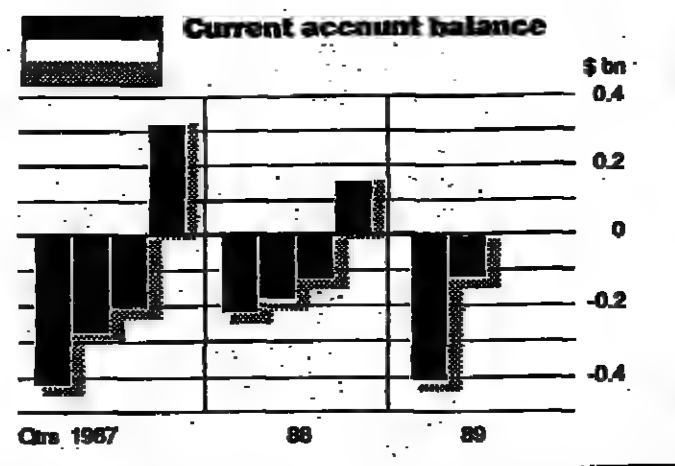
### A step back

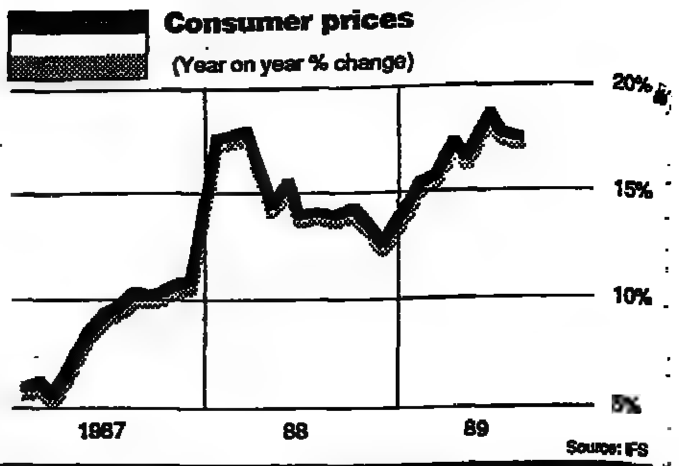
Mr John Major's first Budget, on the other hand, looks more like a step back into the 1980s on this score. While he made much of the benefits to the small investor of abolishing stamp duty, currently 0.5 per cent, the move is largely academic for the promotion of wider share ownership, since average commission rates are running as high as 1.5 per cent on bargains up to £20,000.

What the move will certainly do is to strengthen the City's position in international equities dealing against other financial centres in the European time zone. The Budget's tax changes are also expected to give a boost to London's futures and options activity to the same end. So, taken as a whole, Mr Major's measure should provide a big shot in the arm to the securities business – and an expensive one. For while he referred in his speech to a revenue cost in 1991-92 of £120m for the abolition of stamp duty, the Budget Red Book puts the first full year cost of scrapping the various duties on share transfers at a sizeable £800m.

But how necessary is the efficiency that this will add to an already active market? Part of Mr Major's current difficulty in macro-economic management stems precisely from the efficiency with which Britain's deregulated credit markets encouraged the run down in personal sector savings. How ironic that he should seek to address the savings shortage by introducing fiscal distortions in the banking market while removing distortions in the stock market which will make life more comfortable for wholesale dealers than for personal investors.




As Hungarians go to the polls this Sunday, **John Lloyd** examines the inheritance awaiting the next government

# A fragile new stall in the global marketplace

"WE HAVE little choice but to take in ecologically damaging industries and to be a locus for cheap labour. We have no alternative. There are no other examples like ours, where the middle class is so weak – where, after the Second World War, the home market was destroyed and private enterprise killed. We can protect ourselves against economic colonisation only by diversifying the number of colonisers."

The frank words, from Mr Laszlo Antal, economic adviser to the Government of Hungary, may not recommend themselves for use on the electoral hustings. But they express a view of the world that haunts the 50 parties that are now completing their campaigns for the country's general elections on Sunday.

Hungary will be the first of the post-communist states of Europe to present a bill for past mismanagement to a fully democratically-elected Government. In Poland, the Solidarity movement was co-opted after elections into sharing power with the Communists; in Czechoslovakia, elections are not due until June.

The Hungarians, whose "goulash communism" allowed the development of something approaching a civil society before the party collapsed from lack of conviction in 1988, are different. Relatively calmly, they will proceed to a system where an elected Government will draw a mandate from the people and present a policy to them – without the intervention of a movement taking its legitimacy from the streets.

The wonder is that so many parties are vying for the task. "All parties," says Karoly Soos, an adviser to the economically liberal Free Democrats and (he thinks) a possible future Finance Minister, "are a little afraid of power." His opposite number at the Hungarian Democratic Forum (HDF), Peter Bod, agrees: "There may be something of a competition to keep out of power."

Waiting for the party or parties which lose that competition will be:

- A debt of $20bn, the highest per capita in Comecon, with debt service set to increase in the current year.
- A current account deficit for 1989 of $1.4bn.
- Inflation at 23 per cent, and rising.
- A vast mutual debt, extended by enterprises to each other when they were starved of Government loans, of around 130bn forints (£1.23bn).
- Between 90 and 95 per cent of enterprises in state hands.
- A decrease in trade with Hungary's main trading partner, the Soviet Union, forecast to be 20 per cent this year.

Even the good news is bad. Hungary now has 900 joint ventures with foreign companies (half of them West German). But most are small, service sector companies, which make money in forints and transfer the profits out of the country in hard currency. In the process, they act as a further drain on foreign reserves that have already been depleted by generous allowances the Government provided to the 1.4m Hungarians who last year took advantage of open borders to travel and shop.

What, then, can be expected from Hungary's next Government? The answer is far from simple or obvious, despite the large degree of consensus in the main parties' positions. All of them, including the socialists, are committed to a liberalisation of the economy: to selling off state assets, to the independence of banks from Government and of course Party control, to ultimate integration in the European Community.

All of them talk of strict monetary control. "We must get rid of the debt and that will call for a rather strict monetary policy – not easy after already 10 years of austerity," says Mr Soos of the Free Democrats. Interest rates are certain to go up sharply, whoever wins.

All seem prepared to countenance a measure of discontent on the shop floor, in part because working class votes will be split. Mr Soos believes that once it is made clear how much

**All parties are committed to liberalising the economy and to eventual integration in the European Community**

public money the inefficient enterprises chew up, there will be a solid majority against continued subsidies and in favour of allowing overmanned and obsolete manufacturing plants to close. "I believe that the next Government will be one in which the organised working class won't be represented – and that means it's a historic opportunity to organise change," says Dr Laszlo Csaba of the influential Institute for Economic and Market Research.

Common to all, too, is a desire to maintain part of the socialist state's legacy of welfare provision. No one can be precise about how far unemployment will rise, but estimates range from a total of 100,000 to 450,000, or nearly 10 per cent of the labour force. The fear is that if "social consensus" is not maintained, explosions will follow. A miners' strike is already an object of fear.

Dr Csaba insists that an underclass, of some 2.5m people living below the poverty line, must be helped. "I'm interested in the survivability of the market system, and they could disrupt it," he says. The right-of-centre Democratic Forum and the Free Democrats talk in similar terms and promise greater unemployment benefit and retraining programmes for the unemployed.

But the consensus begins to fragment when it comes to detailed questions about the future structure of the economy. The most contentious issue between the parties is that of property – who owns it, who should own it, how quickly should it be sold off, and in what manner. In this respect, the would-be free marketeers of Hungary face similar problems to those of Poland, Hungary and Yugoslavia.

Enterprises in all these states were essentially "owned" by the Communist Party. It decreed what factories should be built, what they should make or do, who should lead them and how many workers they should employ. The collapse of the party has left its former appointees – the directors – as quasi-owners. And in many cases, it is they, rather than the ministerial bureaucracies, who are now making deals with foreign companies.

Such under-the-table arrangements have become a topic of fierce controversy in the run-up to the election. Some have been held up for further investigation.

Recent controversial deals included the sale of the APISZ stationery monopoly, the sale of a 51 per cent stake in HungarHotels to the Swedish investment company Quintus for $150m, and of 49 per cent of the stock in the insurance company Hungaria Biztosito for DM50m.

Before Christmas, a National Bank director, Mr Lajos Bokros, argued in a paper circulated to MPs that the "spontaneous privatisation of currently state administered property (will) contribute to the development of an anti-market and anti-social property structure by securing the present monopolistic networks."

Enterprise directors, he said, "concentrate on maintaining their own managerial interests [and] are much more inclined to take the side of the buyer than the seller. Worker representatives on the enterprise councils are interested primarily in the promises of future owners to raise wages." Late last year, he succeeded in convincing the Government to establish a State Property Fund, in which the legal titles of the enterprises are lodged and which will now administer their sale.

But privatisation is likely to remain a controversial subject, with the curious result that a future Government

**An unrestrained influx of foreign capital could shake up the economy to an unmanageable extent**

may well wish to proceed more cautiously along this route than the outgoing Communist-turned-socialist administration.

Of the major parties, the HDF is perhaps the most sceptical of big business. Mr Bod of the Democratic Forum, who wrote his doctoral thesis on the UK experience of privatisation and has discussed the issues with Sir Alan Walters, the Prime Minister's former economic adviser, expresses doubts about the purchase of banks, newspapers and service companies. "While we must of course be internationally competitive, it would be irrational to rely too much on foreign capital," he warns. "Xenophobia and dislike of foreigners is not a problem here – yet – but it could become so."

Dr Csaba of the independent Institute for Economic Research says much the same: "I want to have as much private property as possible but you can't just sell out to the Japanese and the South Koreans. You must encourage thousands of people and their families to have a stake in the economy. If you go very fast you have a social backlash".

The Free Democrats are not so worried. Mr Soos believes that no system can wholly prevent the corruption he admits "spontaneous privatisation" has given rise to. He points out that to privatise 95 per cent of an economy is a vast, unprecedented task which must not be slowed by anything.

"The British were proud of the five per cent they managed to privatise in 10 years," says Dr Marton Tardos, a Free Democrat adviser. "We have a rather bigger task. That means there is no possibility of managing all of these companies up to the point where they are efficient, as the British did, so they command a better price. We have not that time."

But who has the capital? Not the Hungarians, to be sure, though several billions of hard currency lodge below mattresses. Dr Tardos wants the local authorities and insurance companies to take over some enterprises, or parts thereof, but his fellow leaders in the Free Democrats think that too bureaucratic. They would give or sell, at low rates, some proportion of the shares to workers.

But they admit, in the end, that foreign capital is the best bet. The worry is that an unrestrained influx will shake up the economy to such an extent as to be unmanageable. "A new Government must decrease living standards," says Dr Tardos. "In this respect, I have only one hope – that western governments and the western banking system will be wise enough to know that the new Government can manage its task only if Western partners are co-operative."

It is a debate in which the Right accuses the Left of residual attachment to the communist system and the Left responds by accusing the Right of wanting to sell out the country's heritage. At its root is another debate, on the nation itself.

Hungary, like the other post communist states, emerges from benign authoritarianism to benign international capitalism. Its economy is moving from a position of only relative independence from the ideological backstop of the Soviet Union and the economic-ideological constraints of Comecon, to one of only relative independence from western capital.

This is the hard fact that is dawning on Hungarians: that rediscovering their national identity entails a painful and lengthy exposure to forces which will not just come at them from Moscow, but from all over the global marketplace in which they are trying to set out a modest stall.

*Additional reporting by Judy Dempsey and Nick Denton in Budapest.*

# OBSERVER

## Japan rocks the market

■ It would be no surprise if the directors of Sotheby's and Christie's get up out of the wrong side of the bed these days. Those early morning reports of nose-diving share prices on the Tokyo Stock Exchange, coupled with higher interest rates, could shake the confidence of their best friends in recent years – the Japanese art dealers and industrialists.

On the back of a strong yen, the Japanese have developed a taste for Impressionist and 20th century art almost equal to their obsession with golf and playing the violin. The pictures either disappear into corporate museums, or are put on display for public approval. The Yasuda Insurance Company, which paid £24.75m for Van Gogh's Sunflowers at Christie's in 1987, has it on view at £20 a peep and will soon recoup its cost.

It has been estimated that over a half of all art auction sales end up in Japan, and although this sounds too high, Sotheby's saw the Japanese scoop up 43 per cent in value of the pictures at its Impressionist sale in New York last November.

A week later the Japanese were busy in London, accounting for over a third of Christie's major auction. One dealer, Yasumichi Morishita, is estimated to have spent $115m on his travels to the West last autumn. He could rely on selling from stock.

And if the Japanese do quit the auction field, the loss could be dramatic. The search is already on for new buyers – the Taiwanese, the Spanish, and, perhaps after a gap of a few hundred years, the Italians.

## Lost by one

■ The ICM Research opinion poll for the Financial Times reported yesterday that 46 per cent of senior British businessmen now think that the Tories will have a better chance of winning the next general election if Mrs Thatcher departs as Prime Minister – a striking figure in itself. It was balanced by the 46 per cent who think they will have a better chance if she stays. But it was not quite a tie. The actual figures were 45 don't knows, 235 for her staying and 236 for her going.

## Piping up

■ There is a bagpipe boom in the US. This is partly because a private company called W L Gore & Associates invented a synthetic bagpipe bag, which is healthier and more hygienic than the traditional bag made of sheepskin, elk or cow hide.

The synthetic bag also produces a better sound, or so it is said, because the moisture that comes from blowing seeps out without the air seeping out. The bag thus requires less blowing to remain inflated. What's more, it can be laundered. So American schools and bands have taken to the bagpipes in a big way.

Now, however, there is a court case. Gore claims that its patent has been infringed by the Australian manufacturer, Ross Bagpipe Reeds Pty Ltd, and the Seattle retailer, the Scottish Shopper Corporation. Gore is seeking punitive damages as well as an end to the infringement.

The suit has been filed in Seattle. David H Pfeffer, Gore's lawyer, says: "The activities of the defendants are in clear violation of the Gore bagpipe bag patent. We seek an immediate end of their actions."

## Real devil

■ Viscount Eccles, the former Conservative Cabinet Minister, has been recalling a visit to Moscow when he was President of the Board of Trade. He discussed the existence of the devil with Nikita Kruschev.


Questioned by Kruschev on the issue, Eccles said he believed in the devil and asked: "Do you ?". Kruschev replied: "Oh yes, and I know who he is – Dr Adenauer".

## Counting sand

■ Management conundrum: something is falling through the cracks, but you don't know how much (anything you like, from pilfering to unrewarded merit). Is it more helpful to commission a careful count, knowing that part of the problem will still go undetected, or to rely on intelligent guesswork?

That, in essence, is the problem which led to the dumping of a truckload of sand outside the headquarters of the US Department of Commerce in Washington in a dawn raid a couple of days ago.

The Department is in charge of counting through its Census Bureau. Routinely, it counts things like real GDP, but currently it is engaged on an actual census. This week it put 15,000 agents in the field in an effort to count the homeless.

An outsider might say that any effort must be better than none. The homeless are very obvious to any visitor to the US. They are conspicuous and pitiable: hence the public concern.

But how many are there? HUD, the government department responsible for addressing the problem, says about a quarter of a million. The Cato Institute, a free market think-tank which blames the problem on rent controls, puts the number at 1.25m.

Jesse Jackson, who makes speeches on behalf of the homeless, and Mitch Snyder, the activist who goes on hunger strike for them, talk of 3m. Martin Sheen, Hollywood's current hero of left-wing causes, ups it to 4m.

"We thought it would be nice to have some idea," said a Census official a little plaintively.

Snyder disagrees: hence the truckload of sand. He argues that the count is bound to miss many of the homeless, and he is probably right. Fearing that the official undercount will lead to a cut in funding, he challenges the people-counters to count the sand instead.

## Another pub

■ A man went into a pub with the scruffiest dog imaginable and ordered a pint. The landlord asked whether the dog was a guide dog and, when told that it was not, said that non-guide dogs were not allowed in. The man left quietly, and returned a couple of minutes later wearing a pair of dark glasses and accompanied by the same dog. The landlord again asked if it was a guide dog, to which the man said "yes". "Well now," said the landlord, "I always understood that guide dogs were labradors or retrievers." "Good Lord!" said the man. "What on earth did they give *me*, then?"

# A brave throw of the dice in Brazil

**Ivo Dawnay examines the detail and context of President Collor's extraordinary economic shock plan**

Miracle worker or madman? To many Brazilians, the explosive package of economic reforms and anti-inflation measures decreed by their new president last week was a reflection of the complexity of the man himself. With a few bold signatures, President Fernando Collor imposed a fierce monetary squeeze freezing $100bn of his electors' assets – the centrepiece of a strategy that is liberal in its economic objectives but authoritarian in its methodology.

The 26 provisional measures tabled last Friday include heavy doses of deregulation, privatisation and import liberalisation. But they are also highly interventionist, hinting at a didactic, populist style not seen in Brazil since the days of the late dictator, Getulio Vargas.

Mr Collor, still just 40, came to power on commitments to modernise Brazil by allowing the fresh air of the market to blow away the cobwebs of an outdated, state-centred economy. His team has worked for four months against the fertile political background of a country crying out for change and ready to suffer for it.

But within minutes of putting on the sash of office, Mr Collor delivered a clenched fisted harangue to the waiting crowds, promising "to give my life if necessary" in his battle against Brazil's 85 per cent a month inflation. Under the avuncular, outgoing president, Mr José Sarney, such hyperbole would have been greeted with embarrassed smiles.

If the style is pure 1930s, Mr Collor's objectives are modern indeed. His stated intention is to create a socially just, productive, flexible economy responding to the laws of supply and demand – not the seductive lure of bloated financial markets. But to do so, he has proved ready to use the draconian step of temporarily sequestrating some 30 per cent of gross domestic product from citizens and companies' savings accounts and overnight deposits, in a monetary squeeze which removed more than 70 per cent of the country's liquidity.

Added to this are price controls and a fierce fiscal policy, hoisting levies on financial transactions, introducing a wealth tax and axeing nearly all government subsidies and incentives. At the same time, he has pledged to slash federal spending by laying off thousands of civil servants on reduced pay, closing ministries and agencies and through a privatisation scheme involving the obligatory purchase of stakes in state companies by large private financial institutions.

With near unanimity, political and economic analysts have described the strategy as courageous, innovative, sophisticated and, *sotto voce*, almost certainly unconstitutional – though this worries few. "It is established practice in Brazil that something being unconstitutional does not mean that it cannot be done," pointed out Mr Raymundo Faoro, a distinguised former president of the libertarian Order of Lawyers.

Far more relevant to inflation-weary Brazilians is whether the plan can be carried off. A lot depends, therefore, on the conviction and determination with which the new president has sold it.

With the executive's powers sharply reduced under the new constitution, Mr Collor is on paper the weakest head of state ever. Yet nobody believes in his abilities more than the young president himself. In consequence, by sheer force of personality he looks set to get his way – insisting to a nervous Congress now facing elections in October that the buck stops with him.

Having delivered exactly what he promised – a reform heavily penalising the wealthier classes as the long-time beneficiaries of a four digit inflation rate – both the left and the right have been wrong footed. Two leading leftwingers, both economic spokesmen, have praised the plan in defiance of their party leaderships. Even the respected head of the Communist Party, Mr Roberto Freire, has been heard to admit: "It contains much that we would have wanted to do."

Allies on the right have been forced to overlook the gaping holes in their bank accounts and back the measures too, though some reluctantly. As one put it: "We will vote for it, but he has turned his friends into enemies and his enemies into friends."

But if formal political approval will be forthcoming, Mr Collor's honeymoon in power may well be interrupted by noisy jeering offstage.

Already, the left trade union confederation, CUT, is busy mobilising resistance among civil servants due to be laid off from the 11 ministries shut down or merged. More will come from state agencies ranging from the Coffee Institute to the national film company, also due for closure. And these may soon be joined by private sector workers, shaken out by this week's dramatic fall in retail sales, which has emptied the country's supermarkets and shopping centres.

**'Mr Collor is a high-tech strongman who *has* used . . . the economic equivalent of putting tanks on the streets'**

With characteristic menace, Mr Collor has warned "unpatriotic" companies planning mass sackings that their books will be carefully perused by the Revenue service. But there seems little doubt that there must now be some measure of recession given the sharp contraction in money available in the marketplace.

In the short term it is the day-to-day management of the monetary squeeze that will prove crucial. Mr Collor has said that an early release of a portion of the frozen accounts before the designated 18-month period elapses could well be allowed if the battle with inflation is seen to have succeeded. "The beauty of the plan is that it allows us to turn on the tap whenever we want," he pointed out.

More beautiful still is its dramatic overnight impact on prices. Under inflation of over 1,760 per cent last year, Brazil's comprehensive indexation system had finally whittled away any relationship between price and real value. The plan, devised by the 37-year-old Economy Minister, Ms Zelia Cardoso de Mello, has instantly given real weight to the new cruzeiro currency. Dollar exchange rate and gold prices have crashed amidst reports of 13 per cent April inflation, down from 85 per cent for March. And there is a real possibility that after state tariff rises have fed through, inflation in May will be near zero.

Businessmen were in panic this week as to where they would find working capital. But analysts appeared optimistic that liquidity will increase noticeably when this month's salary cheques come through. Other sources of funds will come from the Central Bank's auctions of frozen cruzados, repatriated capital from abroad, exports or borrowing in the new cruzeiro market at admittedly high, interest rates. The pressure is now on business to get out and sell – that should mean lower prices. Many respected economists are pessimistic, however, arguing that Brasilia lacks the expertise to manage the liquidity squeeze without gripping too hard or too soft. Not least, there are still doubts about the adequacy of the federal spending cuts – all the more urgent if a recession is whittling away at revenues.

But many questions remain. What, for example, will be the likely impact of Mr Collor's blanket liberalisation of prohibited imports(under a tariff regime) on the already depleted trade surplus? Where will the cruzeiro go under its controlled float? How deep will the recession be? Most answers are educated guesses.

Mr Ricardo Semler, owner of Semco, a Sao Paulo engineering company, believes the recession will be over in 90 to 100 days with unemployment rising to a heavy, but not intolerable 14 per cent ceiling. Import penetration will in the short term be inhibited by a lack of foreign exchange and an exchange rate of, perhaps, 50 cruzeiros to the dollar – a *devaluation of roughly 16 per cent on* last week.

Though confident that the plan can work, Mr Semler is unusual among his business colleagues in raising moral objections to Mr Collor's coup. "What people don't seem to realise is that the real value of frozen accounts is going to fall, I estimate, by up to 40 per cent by the time they are released," he said. "Mr Collor is a high-tech strongman who has used Third World tactics to try to make Brazil a First World country – the economic equivalent of putting tanks on the streets."

Others prefer to draw parallels with West Germany's creation of the D-Mark in 1948 or even a US Chapter 11 bankruptcy. But there is no doubt that savers have taken real losses. This week the frozen New Cruzado was trading unofficially at two for every one readily-negotiable cruzeiro.

For most Brazilians, however, the ends justify the means. And though it is ruefully acknowledged that a left government might well have suffered a military coup if it had tried the same strategy, there is widespread admiration for Mr Collor's audacity.

Now more than ever, Brazil's future rests heavily on the shoulders of one individual – as fascinating and contradictory a personality as any of his strongman predecessors. A Rolling Stones fan who has just re-established arcane military ceremonies at his Planalto Palace office, Mr Collor is also a former playboy now preaching austerity, a multi-millionaire people's champion and an advocate of individual freedom who has all but cut off the citizen's access to his money.

Mr Faoro, like many liberal intellectual lawyers, regrets that once again Brazil has opted for the politics of might to find its way out of the mire. "Many of us had hoped that after two decades of military rule, we would have matured beyond populist politics," he reflected.

But, perhaps, in an unruly country with vast untapped potential and equally monumental problems, only heroes of mythological dimensions are capable of leading the nation to its destiny. In his first week, at least, Mr Collor cut just such a figure.

## *LOMBARD*

# Cold feet about Continental time

**By Bridget Bloom**

WHAT DO farmers in Scotland, employers of construction workers and the Queen have in common? Though I cannot vouch for Her Majesty (her name having been mentioned in this connection in the popular press) the farmers and building bosses are among an apparent minority of Britons who want no change in the way we order our daylight hours.

These groups will readily put their clocks forward an hour tomorrow night, thus benefiting from the longer summer evenings. But they are "unequivocally opposed" – to quote the National Farmers Union of Scotland – to doing what the majority of Britain's inhabitants are said to want, and that is to harmonise our clocks with Europe.

Over the last couple of years a government survey and several opinion polls have reported that between 55 per cent and 76 per cent of Britons believe we should run on the same time as most of the European Community: Greenwich Mean Time plus one hour in winter and GMT plus two hours in summer.

There are many sensible arguments in favour of such a change. What we may call continental time gives lighter evenings in winter as well as in summer. The Government's own Transport and Road Research Laboratory recently calculated that as a result there would be 800 fewer deaths and serious injuries a year from road accidents. Dr Mayer Hillman, of the Policy Studies Institute, adds to that. Had we not abandoned the three year experiment of "continental time" in 1971, 16,000 such accidents would have been avoided.

The PSI, whose work was used in the Government's consultative paper on Summer Time last year, also reckons that thanks to the extra evening daylight, tourist earnings of about £19bn last year could rise by 4 per cent, or about £800m. And it calculates that fuel savings could amount to £100m a year.

Strangely, most advocates of the change give the advantages of being on the same time as the rest of the EC a rather low priority: to be able to phone Brussels, Paris, or Bonn and find people in their offices and not at lunch; or to fly there and be able to fit in at least one appointment before lunch seems to me a real plus.

Compared to all this, the disadvantages of changing to continental time seem slight. The opposition is mainly from those whose day starts early: construction workers, postmen, milkmen or teachers. One need not go as far as to suggest that Scotland should have its own time (English counties had different times until railway timetables had to be drawn up). But in the far north, where the sun anyway rises nearly an hour later than in London, surely the opening of schools could be delayed in winter?

As for farmers, most of whom are against change, no one with livestock under cover has a real difficulty since virtually all have electric light. (My neighbouring dairy farmer seems to keep his on all night, winter or summer.) Farmers with sheep or cattle on the hills might be different: it cannot be much fun rounding up livestock in the dark. But perhaps the cattle markets too could start later in winter?

So with all these reasons in favour of a change, why are we not about to put the clocks forward two hours tomorrow night to embrace EC time? The principal reason, it seems, is that the Government has got cold feet, partly because of Scottish opposition and partly because with inflation, the poll tax and now the Mid-Staffordshire by-election it has no stomach for anything gratuitously controversial. Sad.

Or is it? As I began to research this subject, that was certainly my opinion, and it seems reasonable now, in the greening spring. But as a convinced (if formally undiagnosed) sufferer from SAD, that "seasonally affected disorder" where deepening depression seems inevitably to accompany darkening mornings, I know that, like the early morning risers, I would be upset in mid-winter with a nine o'clock dawn. Selfish and irrational no doubt, but I think of the Government's cold feet.

## *LETTERS*

### Anomalies in taxation of beneficial loans

*From Mr C.F. Pocock.*

Sir, Many staff of the financial institutions will be extremely disappointed that Mr Major did not include in his Budget measures to remove two important anomalies which arise in the taxation of beneficial loans.

The first problem arises when house purchase loans above the £30,000 limit are made to staff at normal arms-length customer interest rates.

Because the "Official Rate" for measuring benefits is set at a higher rate than the arms-length rate, staff have a taxable benefit which would not arise if the loan concerned was made by a different institution from that which employed the borrower. This is just unfair.

The other point, of which the Inland Revenue is fully aware, is the ludicrously unfair calculation provisions which impact when multiple loans are made at varying rates. These can cause taxable benefits to arise on, in effect, loans which are within the £30,000 limit for interest relief.

It is to be hoped that clauses will be introduced in the Finance Bill to remedy the anomalies. To ensure that this happens, I appeal to the many staff of banks, building societies etc who are affected by these anomalies to write forthwith to their MPs asking for support.

C.F. Pocock,
*4 Broadfields,*
*Harpenden, Hertfordshire*

### Include bonds in Peps

*From Mr Donald Franklin.*

Sir, Barry Riley ("A shift towards the short term," March 21) is rather too severe in his criticism of the Tax Exempt Special Savings Account (Tessa). He contrasts "the sweeping vision of the early Nigel Lawson" with "the interventionist style of chancellors tinkering with rules and tax rates to favour one savings medium or another."

Mr Lawson had intended to level the savings playing field by abolishing tax relief on institutional saving. This proved politically impossible, but was also contrary to the best independent advice, notably from the Meade Committee, that the playing field should be levelled downwards by removing all saving from taxation – for saving has, generally, already been taxed as income.

Peps, personal pensions and now Tessas are thus all moves away from interventionism, from the relative fiscal privilege formerly accorded to pension funds.

There remains one major lacuna: bonds. Why should the system encourage companies to raise bank finance rather than long-term debt? Why should an individual wishing to secure a high yield from his assets not invest in a corporate bond (or indeed a gilt) rather than in a building society? If bonds were to be included in Peps, it would foster disintermediation and reduce the flow of savings into "imprudent" lending institutions which so concerns Mr Riley.

Donald Franklin,
*Chief Economist,*
*Schroders,*
*36 Old Jewry, EC2*

### The importance of quality in workplace training

*From Mr P. Ryan.*

Sir, The analysis of youth training policy provided by Richard Layard and Sig Prais ("Time to think about compulsion," March 15) is well taken. It is indeed time to reconsider requiring young people to remain until the age of 18 in part-time publicly funded technical education.

Such a change would be of limited value on its own. Under it, trainees would still be spending up to 80 per cent of their time at work. The problem is that, if employers are required only to provide such training as they see fit – and Layard and Prais are reticent on this score – many will treat the day in school as an irrelevant nuisance and provide during the other four days only some job-specific, and possibly unrelated, training. The widespread aversion of young people to school work will then be reinforced and the scheme will become irrelevant to them.

German practice, to which Layard and Prais point us, offers a further lesson: the importance of fusing schooling and training into an industrial education, leading to qualifications which reflect both knowledge and knowhow. To that end, the quality of workplace training in Germany is publicly regulated in terms of both product (acquisition of meaningful qualification in a recognised occupation) and process (qualifications of trainers, scope of training, external assessment of achievement).

A further benefit follows. As the quality of workplace training is guaranteed, German trade unions accept the low trainee allowances which Layard and Prais advocate to induce British employers to take on young people.

The appeal of the Layard-Prais scheme would therefore be greater if it were extended to deal with the longstanding problem of inducing British employers to provide the workplace component of integrated vocational education and training. We have already made three starts towards the regulation of quality in workplace training: the Training Boards, YTS and NVQ. None has been allowed to get very far.

It is certainly difficult to persuade government to put up the funds for compulsory part-time education after age 16 and to compel young people to attend. It is no less difficult to induce employers to play their part. Compulsion alone is an unattractive and ineffective policy instrument but, in so far as it is required, it must apply to employers as well to make it less onerous on young workers.

P. Ryan,
*King's College, Cambridge*

*From Professor George Allen.*

Sir, There seems a remarkable gap in the Layard and Prais analysis. Maybe, as they say, individuals "under-invest in themselves – due to ignorance, shortsightedness and lack of financial opportunity."

But what precisely is meant by the third of these impediments? Does it include the pay incentives in favour of skilled work which will encourage the demand for training? Am I right in believing that in that paragon of examples, West Germany, pay differentials between the more and the less skilled are substantially greater than in the UK?

Could it not be that many youngsters do not seek training because they make a quite rational decision between present effort and what they see as future inadequate rewards? I have in mind not those who can take training in their stride and for whom, in seeking it, inclination rather than financial reward is sufficient motivation, but those many others for whom something of a struggle is involved.

George Allen,
*West Woodlands,*
*Newton Tracey,*
*Barnstaple, Devon*

*From Mr Patrick Foley.*

Sir, In concentrating on the young, Layard and Prais miss perhaps the most important aspect of the UK's problem, which is lack of skills throughout the existing workforce.

OECD figures show that almost 50 per cent of the male labour force has less than what they call "upper secondary education," compared with 19 per cent in Germany (the figures for the female labour force are 72 per cent and 43 per cent respectively), and this lack of basic education is not offset by higher employment training. A recent study estimated that British firms devote 0.15 per cent of turnover to training, compared with 1 to 2 per cent in Japan, West Germany and France. So the education figures probably underestimate the skill differential between the UK and Germany in the existing labour force.

Even if the Layard-Prais suggestions were adopted, and supposing that UK industry were to raise its training to German levels, it would still take 40 years for average UK labour force skill levels to reach those in Germany. Hence what we require are measures which raise training provision for all sectors of the labour force rather than new entrants only.

I support the idea, now being proposed by both main political parties, of training credits tied to individuals to boost industry's training incentive. But these credits will need to be made available to a major portion of the labour force rather than just school-leavers.

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CHALLENGE TO US AND EUROPEAN PAYMENT SYSTEMS

# Japanese move into card market

By David Barchard in Monte Carlo

JCB, Japan's largest plastic card issuer, is to challenge the big international cards later this year by competing for personal customers in the UK, France and North America.

The move, aimed at establishing JCB alongside other main international card payment systems by the end of the 1990s, is potentially the largest move yet by the Japanese into the international retail financial services market.

Mr Kazunao Murata, JCB's senior vice president, said yesterday that JCB hopes to have 500,000 customers outside Japan by the end of this year.

The company expects between 5 and 10 per cent of its total turnover, which reached $15bn last year, to come from international operations, he said. JCB already issues some corporate cards in the US.

"We shall begin by issuing cards to Japanese companies in the UK and France and individual Japanese customers and then fit international business travellers on to our existing customer base," he said.

"With Japanese travellers spending $22bn a year and our domestic sales growth rising 30 per cent annually we can afford to finance international card operations."

JCB, which operates a chain of customer service centres around the world providing travellers with financial services and round-the-clock advice and information, is clearly challenging American Express for its share of the market.

Mr Pete Hart, president of Master Card International, described JCB's move as "a very evident threat. It means they are going to be a long-term presence in the international card market and we shall have to contend with them increasingly."

JCB's first personal cards outside Japan will be charge cards rather than credit cards. But, unlike American Express cards, they will carry no annual fee. Mr Murata said JCB is considering eventually issuing cards with a revolving credit.

"We are not allowed to do this in Japan at present, but in theory we could use low cost Japanese finance to issue a cheap credit card in Europe if we found the exchange rate risk acceptable."

British bankers were taken by surprise at the announcement. "It has been obvious for some time that JCB was steadily building up its international retailer network to go into world markets," one banker said.

"But with only 10,000 retailers in the UK this seems a very early point at which to make the move. I would expect their business in the UK to remain chiefly Japanese, at least for a while."

Although Japanese financial institutions have been expanding rapidly in world markets recently, their focus has been almost exclusively on the business and wholesale markets. European and American bankers have, however, suspected it would only be a matter of time before the Japanese began to woo the personal customer.

# Britain's trade deficit eases to £1.4bn

By Andrew Marshall, Economics Staff, in London

AN IMPROVEMENT in Britain's trade performance gave sterling and the stock market a boost yesterday, restoring some confidence after losses following Tuesday's budget.

Both the current account and trade deficits fell to £1.4bn ($2.24bn) in February, seasonally adjusted, compared with revised estimates of £2bn for both in January. The balance on invisibles – trade in services, such as banking, insurance and tourism, dividends and profits – was zero for both January and February.

Exports stood at £8.4bn, down slightly from £8.5bn in January. Imports fell to £9.8bn from £10.5bn. January's import figure was significantly distorted by unusually high imports of precious stones.

Excluding erratic items and oil, exports have grown 11 per cent by volume in the past 12 months, while imports have risen 0.5 per cent.

The pound recovered slightly from two days of losses after the budget to close more than a pfennig higher against the D-Mark at DM2.7300 in London. Against the dollar it closed at $1.6015, up from $1.5945 at Wednesday's close. On the trade-weighted index, sterling finished at 85.8, up from 85.5 on Wednesday.

The FTSE index finished 8.6 points up at 2,258.9 on turnover of 497.8m shares, although the edge was taken off gains by Wall Street losses in early trading. Money markets and gilts ended little changed.

The trade performance was attacked in the House of Commons as "the worst beginning to any year in Britain's trading history" by Mr Gordon Brown, the opposition Labour Party's trade and industry spokesman.

But in the City of London, analysts saw it as a return to the improving trend of the last six months. "The key factor was the unwinding of the erratics from last month. It represented a return to trend," said Mr John Shepperd of Warburg Securities.

Some analysts saw the trade performance as support for the broadly neutral budget.

"The figures showed that, for the first time since 1981-2, domestic demand is growing less than supply," said Mr Michael Hughes of Barclays de Zoete Wedd. "The figures are confirmation that this is not the stage at which the Chancellor should knock demand on the head."

There was some controversy about the estimate for the balance on invisibles. Some analysts thought that it should be negative, given that the balance for the last quarter of 1989 was £713m in deficit.

The City was divided over the impact of yesterday's parliamentary by-election, almost certain to represent a loss for the Conservatives. Mr Hughes said the political risk factor was uppermost in the minds of traders. However, others said it may have little impact.

"It's a foregone conclusion, and it's already been discounted," said Mr Ken de la Selle of National Westminster bank.

Lex, Page 24; London markets, Page 41

# All the world is a stage for Havel

By John Lloyd and Edward Mortimer in London

CZECHOSLOVAKIA'S best-known playwright has been playing to full houses in London for the past 48 hours.

Not a spare seat was to be had at the School of Slavonic and East European Studies, the Institute of Contemporary Arts or the Mansion House – not to mention Buckingham Palace and Number 10 Downing Street – at all of which venues Vaclav Havel produced himself in a role which is clearly growing on him: that of visiting head of state.

At the ICA he starred in a triple bill with his friend Timothy Garton Ash, chronicler of last autumn's "Revolution of the Magic Lantern" (after the theatre in which Mr Havel presided over the non-violent but devastating explosion of the Civic Forum movement), and with George Steiner, the well-known British polymath, whose own family origins, he revealed, lie in the north-east of Mr Havel's country.

Mr Steiner paid tribute to the Czechoslovak President as one who has insisted on "living in truth" (the title of his essay collection), something which, he added, is increasingly difficult for writers in the West even if it is at last becoming easier in what was until yesterday the East.

A pall of respect hung heavy on the occasion: it crossed no-one's mind to ask Mr Havel what he would do about productivity, trade or ethnic tensions.

Instead, the questions sought to reach the presumed level of the President, as with "How do the ideals of the platonic phiolosopher king relate to your present position?"

He came alive only when he said that the Czechs were now suffering from a "post-prison psychosis which I have myself experienced several times.

"All of a sudden they are in this new area and they find it difficult to understand. They want to know where is the beginning and where is the end. They want to know where the boundaries are. Before, they knew when their nose would be bumped and when it wouldn't. Now they are in an area where their nose may get bumped at any minute, or not at all, and they don't know what will happen."

At a press conference yesterday morning the questions were a little tougher: Czechoslovakia's production of Semtex explosive, for instance, and the advice he would give to both sides in the Lithuanian crisis. (Answer: "I would advise them to be sensible and to have foresight and to look at this problem from a long-term point of view.")

He also said that in talks with Mrs Margaret Thatcher, Britain's Prime Minister, he had found their vision of Europe was not as far apart as he expected.

But he spoke of "new pan-European security arrangements, not anchored to Nato," which does not sound quite like her line.

The concept of Nato, he explained, was still based on the division of Europe and that situation had now changed. "I think it is unfortunate to keep on insisting on the flag of Nato... One has to look further ahead." This is a theme we shall hear more about next month when his Foreign Minister, Mr Jiri Dienstbier, is to address the Royal Institute of International Affairs on "From the Europe of the blocs to a Europe of co-operation".

To the men of the City of London, over luncheon at the Mansion House, official residence of the Lord Mayor of London, Mr Havel delivered a homily on courage, asserting that Charter 77 had been inspired by Magna Carta, that "symbol of modern democracy." He paid tribute to the Czech and Slovak pilots who served in the Royal Air Force during the war – "people who were saving the honour of our nation, and our nation paid them badly for it: some spent years in prison, some even were executed."

Last night, however, he returned to a more familiar milieu: the Barbican Theatre, where he saw Anthony Sher in Peter Flannery's The Singer – a suitably political choice, although perhaps not one to Mrs Thatcher's taste.

# Czechs to help UK trace illegal Semtex

By our Foreign Staff

BRITAIN and Czechoslovakia will co-operate "very actively" to track down huge quantities of Semtex, the Czech-made explosive, exported to Libya by the ousted Communist regime, the UK Foreign Office said yesterday.

This follows the disclosure by Mr Vaclav Havel, the Czech President, that his predecessors exported enough supplies of the explosive to last international terrorists 150 years.

His country had now stopped exporting it, he said.

Semtex was responsible for the Lockerbie air disaster in December 1988 in which 270 people died and it has also been the Provisional IRA's chief method of killing since October 1986. Semtex's awesome power of destruction was responsible for most of the 224 explosions in Northern Ireland that killed 18 people in 1989.

"The past regime exported 1,000 tons to Libya.

"If you consider that 200 grammes is enough to blow up an aircraft, this means world terrorism has enough Semtex to last 150 years," said Mr Havel. President Havel said the present regime in Czechoslovakia was unable to make Libya return the Semtex.

Later, British officials said the Czechs had given details of "very serious" amounts of Semtex exports.

Mohamed Fayed: damning report

# UK pressed on Harrods banking licence

By Philip Stephens, Ralph Atkins and David Lascelles

SENIOR British Members of Parliament in the ruling Conservative Party want the Egyptian Fayed brothers to be removed from control of Harrods Bank following the damning report of government inspectors into their 1985 takeover of the House of Fraser department stores group.

Sir William Clarke, chairman of an influential finance committee of Conservative MPs, yesterday wrote to Mr Robin Leigh Pemberton, Governor of the Bank of England, to demand that he take swift action to protect the interests of depositors with the bank. His letter is known to reflect the views of a number of other Conservative MPs.

The Bank of England is already reviewing the fitness of Harrods to hold a banking licence.

The Banking Act gives the Bank the power to revoke the licence if it thinks the owners are not "fit and proper."

The circumstances of the Fayeds' lies about their background and money are sufficiently unusual to make this a particularly tricky case for the Bank to judge. Also, the fact that Harrods Bank is a subsidiary of the House of Fraser might, arguably, be said to place it only under the indirect control of the Fayed brothers - Mohamed, Ali and Salah.

Sir William's letter reflects growing concern among a number of senior Conservative MPs about the Fayeds' continuing control of the bank.

Sir William yesterday raised the issue in the House of Commons. Backing calls for an early debate on the affair, he said that, while the Commons delayed, the Fayeds were still running Harrods Bank.

Mr Nicholas Ridley, Secretary of State for Trade and Industry, has made it clear that it is the responsibility of the Bank of England to judge whether the Fayeds should be disqualified under the 1987 Banking Act.

The Act, which requires the Bank to assess whether individuals are "fit and proper" to own or run a licensed institution, is designed to protect the interests of depositors. The Bank has acknowledged that it is reviewing the position in the light of the DTI report but has given no indication when it will reach any conclusions.

The concern among many Tory MPs is that the regulatory authorities should be seen to act swifty in the light of the report's conclusions that the Fayed brothers had lied repeatedly during the takeover.

They believe that action to remove the Fayeds from control of the bank is essential if the public is to be assured that the interests of depositors are being protected. There is concern that if Harrods Bank did face difficulties, the Government would face pressure to "bail out" depositors.

THE LEX COLUMN

# A global warning from Tokyo

How much longer can the rest of the world ignore what is going on in Tokyo? Since the start of the year, the value of what was until very recently the world's biggest stock market has fallen by 25 per cent, yields on Japanese Government paper have risen by a similar amount and the yen has depreciated by nearly 7 per cent. It is easy to dismiss this terrible shakeout as a long overdue adjustment in a market which was valued more than five times as highly as London or New York. But this assumption is dangerous.

Since the rest of the world ignored Tokyo when it bounced back from the 1987 crash, it might seem as easy for other equity markets to decouple now. Indeed, in so far as Tokyo's problems highlight the more realistic valuations elsewhere, other markets could benefit from an inflow of Japanese money fleeing the domestic market. Similarly, the persistent foreign selling of Japanese equities in recent years means that overseas investors are largely insulated from any side-effects of Tokyo's collapse.

However, Japanese net capital outflows are now running at a third of last year's average levels. The sharp drop in equity values will also have severely damaged Japanese banks' capital ratios and thereby curbed their ability to lend. Given the growing demand for capital in Eastern Europe it is hard to see how the rest of the world can escape unscathed from the effects of Japan's liquidity crunch. If it were to lead to a sharp rise in US bond yields, for example, Wall Street would be highly vulnerable.

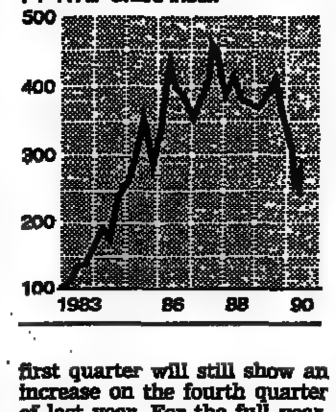
## UK trade figures

Though the trade figures were a shade better than expected, the market's response was rightly cautious. It is encouraging that the Treasury does not expect the deficit on invisibles to persist into the first quarter of this year. But as for visibles, the slowdown in exports is slightly discouraging, and the picture on imports scarcely suggests a sharp fall in domestic demand. There is a further warning sign: in the past three months the unit value of imports – broadly, the inflationary effect of a depreciating currency – is up 8.5 per cent on the year before.

It would be unwise to infer too much from a notoriously unreliable series. But it looks possible that imports in the first quarter will still show an increase on the fourth quarter of last year. For the full year, the Budget forecast of a £15bn deficit still looks a touch optimistic. Closer scrutiny of the Chancellor's speech might suggest that the risk of recession in a few months' time should not be underplayed. But in terms of the balance of payments, the snag is that world trade could just be slowing down around the same time.

**Cookson**

Share price relative to the FT–A All–Share Index



## RTZ

The combination of weak sterling, strong metal prices and the well-timed acquisition of BP Minerals always meant that 1989 was going to be a very good year for RTZ. Nevertheless, a 38 per cent rise in net attributable profits to £588m and a 23 per cent rise in the dividend is impressive. The group's balance sheet has been substantially strengthened by the combination of the rights issue and the sale of the chemicals business. With interest cover of close to 10 times, RTZ is well placed to weather any recession or make another big acquisition.

To be fair, RTZ is expecting neither. The restructuring of the group is complete; and while earnings growth will be pedestrian in the current year, RTZ's dividend should continue to grow faster than average. This is not reflected in a share price which is selling at a discount of a fifth to the market and 30 per cent to net asset value.

## Guinness

The virtuous circle of volume and margins at Guinness seems unstoppable. Its whisky shipments last year were up 2 per cent against a claimed decline of 1 per cent for the industry as whole; in the second half, spirits margins rose from 27 per cent to 28 per cent. The key lies in the continued willingness of consumers to trade up. Each 1 per cent of Johnnie Walker Red Label volume converted to Black Label, it appears, is worth £10m in profit.

There are plenty of potential flaws, including the outlook for consumer confidence in Japan and the possibility that the Scotch whisky industry might revert to overcapacity. But this year will see the consolidation of 24 per cent of LVMH – whose record in growth and margins puts Guinness to shame – against 19 per cent last year. There is a pall of silence over LVMH's plans to buy a further 12 per cent of Guinness; but the litigious capers blocking that must surely be drawing to a close. There seems no reason why Guinness's earnings growth this year should be less than 20 per cent, in which case the multiple is only around 12 times. Despite the steep outperformance of the shares in the past fifteen months, this does not look expensive.

## Cookson

Probably for the first time in the current results season, a FT-SE stock severely disappointed the market yesterday. The 14 per cent fall in Cookson's share price followed a six per cent drop in second half profits, and the 3 per cent increase in annual pre-tax profits was only achieved after a currency benefit of £7m. Cookson is paying heavily for its over-enthusiasm for acquisitions, with gearing now over 100 per cent even after last year's convertible preference issue. Excluding the Tioxide joint venture, interest cover on the wholly-owned businesses is under three times.

Sales of some metals operations – and perhaps the 8 per cent stake in Johnson Matthey – will dent but hardly solve the debt problem. Trading conditions continue to worry, with the company citing a range of difficulties from sluggish demand in UK building materials and white goods to the depressed tiling market in Spain. On top of it all, Tioxide faces increased industry capacity, slower demand growth and £200m of environmental costs. However, ICI's holding in Tioxide probably will prohibit a bid. With analysts downgrading profits forecasts to £160m-£170m, suggesting a multiple of under 8 times, it is hard to see the shares recovering for a while.

# Japanese to buy 7-Eleven

Continued from Page 1

hobbled the company's expansion plans and contributed to much slower revenue growth than had been forecast at the time of the buy-out.

Southland has 6,918 convenience stores in the US – more than half of them owned outright – as well as links to another 6,000 stores in 21 other countries.

Mr Suzuki said his company was aware of Southland's plight when it bought the US company's stores in Hawaii last November for $75m, and that it was approached again by Southland in January with the offer of a majority stake.

## WORLD WEATHER

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | [illegible] | 64 | [illegible] | S | 18 | 66 | Malta | S | [illegible] | [illegible] | Rhodes | S | [illegible] | [illegible] |
| Algiers | S | 25 | 77 | Edinburgh | C | [illegible] | [illegible] | Manchester | F | 10 | 50 | Rio de J'o | C | [illegible] | [illegible] |
| Amsterdam | F | 11 | 52 | Faro | S | 20 | 68 | Manila | C | 33 | 91 | Rome | S | [illegible] | [illegible] |
| Athens | S | [illegible] | [illegible] | Florence | C | [illegible] | [illegible] | Melbourne | F | [illegible] | [illegible] | Salzburg | S | 21 | 70 |
| Bahrain | S | 22 | 72 | Frankfurt | S | 17 | 63 | Mexico City | C | 27 | 80 | San Francisco | S | [illegible] | [illegible] |
| Bangkok | F | 33 | 91 | Funchal | S | 23 | 73 | Miami | C | [illegible] | [illegible] | Seoul | S | 18 | 64 |
| Barcelona | S | [illegible] | [illegible] | Geneva | S | 21 | 70 | Milan | S | [illegible] | [illegible] | Singapore | – | – | – |
| Beirut | – | – | – | Gibraltar | S | [illegible] | [illegible] | Montreal | C | [illegible] | [illegible] | Stockholm | F | [illegible] | [illegible] |
| Belfast | R | [illegible] | 50 | Glasgow | C | 9 | 48 | Moscow | C | 7 | 45 | Strasbourg | F | 22 | 72 |
| Belgrade | S | 22 | 72 | Guernsey | F | 10 | 50 | Munich | S | 23 | 73 | Sydney | F | [illegible] | 75 |
| Berlin | C | [illegible] | [illegible] | Helsinki | C | [illegible] | [illegible] | Nairobi | F | 25 | 77 | Taipei | F | [illegible] | 77 |
| Biarritz | S | 17 | 63 | H. Kong | F | 25 | 77 | Naples | C | 17 | 63 | Tangier | S | [illegible] | [illegible] |
| Bombay | S | [illegible] | [illegible] | Innsbruck | S | 20 | 68 | Nassau | F | 30 | 86 | Tel Aviv | S | [illegible] | [illegible] |
| Bordeaux | S | 21 | 70 | Inverness | C | [illegible] | [illegible] | New Delhi | S | 30 | 86 | Tenerife | C | 26 | 79 |
| Brussels | R | 10 | 50 | Islamabad | C | [illegible] | 64 | New York | F | 7 | 45 | Tokyo | S | [illegible] | [illegible] |
| Budapest | S | 21 | 70 | Istanbul | S | 10 | 50 | Nice | F | 16 | 61 | Toronto | C | 3 | 37 |
| B. Aires | F | [illegible] | 75 | Jakarta | C | 31 | 88 | Nicosia | S | 21 | 70 | Tunis | S | 20 | 68 |
| Cairo | F | [illegible] | 73 | Jersey | C | 10 | 50 | Oporto | C | 19 | 66 | Valencia | S | 27 | 81 |
| Cape Town | F | 24 | 75 | Jo'burg | R | 25 | 77 | Oslo | S | [illegible] | 54 | Venice | [illegible] | [illegible] | [illegible] |
| Caracas | C | [illegible] | [illegible] | Lima | – | – | – | Paris | C | [illegible] | [illegible] | Vienna | S | 23 | 73 |
| Casablanca | S | 21 | 70 | Lisbon | S | 20 | 68 | Peking | – | – | – | Warsaw | F | [illegible] | 61 |
| Chicago | R | [illegible] | [illegible] | Locarno | F | [illegible] | [illegible] | Prague | S | 19 | 66 | Washington | S | [illegible] | [illegible] |
| Cologne | Dr | [illegible] | [illegible] | Los Angeles | S | 12 | 54 | Reykjavik | F | -3 | 27 | Zurich | S | 20 | 68 |
| Copenhagen | F | 11 | [illegible] | Luxembourg | C | 13 | 55 | | | | | | | | |
| Corfu | S | [illegible] | [illegible] | Madrid | S | 21 | 70 | | | | | | | | |
| Dallas | C | 14 | 57 | Majorca | S | 21 | 70 | | | | | | | | |
| Dublin | C | [illegible] | [illegible] | Malaga | S | [illegible] | 71 | | | | | | | | |

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain

# British electricity companies may double capital spending

By David Thomas and Maurice Samuelson

THE 12 UK area electricity companies which are due to be privatised this autumn have won government approval for a doubling of their capital spending.

The Government agreed to this sharp increase in spending on the companies' local distribution networks during negotiations over the formulae which will govern their cost increases after privatisation.

Mr John Wakeham, the Energy Secretary, announced yesterday that the area companies would be able to increase charges for their distribution activities - the most important costs under their control - by more than the Retail Price Index each year. On average the area boards will be able to increase these costs by 1.1 per cent above the RPI.

These costs account for 20 per cent of a consumer's electricity bill. Increases above the RPI have been announced for this coming year and the Government has said that bills must not increase by more than the RPI in the two years to 1993.

The Energy Secretary justified yesterday's decision, which runs counter to the treatment of the privatised gas and telecomunications industries, by explaining that the area electricity companies needed to spend large amounts renewing ageing equipment.

He expected that they would have to invest about £10bn ($16.05bn) over the next 10 years, which would be twice their rate of investment in the recent past. Mr Wakeham argued that the area companies needed to increase their charges above inflation to finance this capital spending.

In addition, the National Grid Company, responsible for running the national transmission network, is also expected to increase its capital spending sharply to £3-£3.5bn over ten years. National Grid has been told to raise its annual charges by no more than the RPI.

The price formulae and future spending plans are two of the last decisions which the Government had to make before it decides the area companies' capital structure and the price at which they will be sold.

The Department of Energy indicated yesterday that the 12 area boards would be given collective debt of close to £1bn and a debt-equity ratio of 30-45 per cent.

This would imply that the Government would raise a maximum of just over £5bn from the sale of the area companies.

FINANCIAL TIMES
# COMPANIES & MARKETS



Friday March 23 1990



## INSIDE

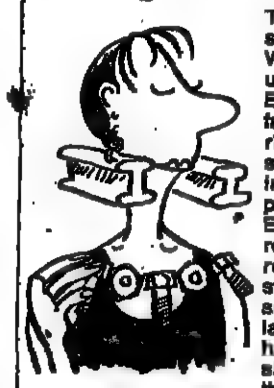
### Cookson simmers on a low light

The combination of high borrowings and rising interest rates took their toll on Cookson Group, the UK specialist industrial materials company, during 1989. Pre-tax profits advanced by just 3 per cent to £183m ($292m) and the City took a gloomy view of the figures marking the group's shares down by nearly 10 per cent. Page 31

### Morgan Grenfell regains ground

Morgan Grenfell has bounced back from its earlier setbacks. The London merchant bank, recently acquired by Deutsche Bank, ended its final year as an independent group with pre-tax up 57 per cent at £54.3m ($86.6m). David Lascelles reports. Page 33

### Steeling the show



The recent shine on steel company shares in West Germany is largely unmatched among Europe's heavy manufacturing industries. The rise has been fuelled by strong demand for steel in West Germany, good prospects for rebuilding East Germany's corroded infrastructure, and reshaping within the steel companies themselves. Takeover speculation, often misplaced, has also affected shares. Underpinning all this is increasing investment in German stocks by other Europeans and now by the Japanese. Back page

### Power politics

Tempers are rising as problems beset the power engineering joint venture between Asea Brown Boveri and Italy's Ansaldo. A move by Finmeccanica, which controls Ansaldo, to sequester ABB's holding in an Italian power plant manufacturer has brought tensions out into the open. Meanwhile, ABB's Financial Services announced a 34 per cent rise in profits and BBC Brown Boveri, which owns half of ABB, is opening its share register to foreigners. Page 26

### Adding to Capel's worries

Doubts over the future of James Capel, the UK's leading research house, were heightened this week by the abrupt departure of Peter Quinnen (left), the company's chairman and chief executive. Capel's staff were said to be deeply shaken by his exit at a time of uncertainty about the commitment of Capel's parent, Hongkong Bank. Page 30

### Market Statistics



### Companies in this section



### Chief price changes yesterday

**FRANKFURT (DM)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Allianz | 2735 | + | 50 |
| Holzmann | 1460 | + | 39 |
| **Falls** | | | |
| Aachener Muen | 760 | – | 30 |
| Daimler | 906.5 | – | 8 |
| Deutsche Bk | 808.5 | – | 8.5 |
| Schering | 860 | – | 23 |

**NEW YORK ($)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Boeing | 72⅛ | + | 1 |
| **Falls** | | | |
| Compaq Computer | 98⅜ | – | 2⅛ |
| Kaufman & Broad | 12⅛ | – | ⅝ |
| MacNeal Schwd | 10⅞ | – | 1⅛ |
| Procter & Gam | 67⅛ | – | ⅞ |
| Sun Microsyst | 23⅝ | – | 1⅛ |

**PARIS (FFr)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Skis Rossi | 1014 | + | 35.2 |
| Total Cert | 119.6 | + | 4.5 |
| **Falls** | | | |
| Axa Midi | 247.1 | – | 14.8 |
| Eurafrance | 2129 | – | 132.2 |
| Gp Vict'a CIP | 850 | – | 57.8 |
| SFIM | 1332 | – | 82.6 |

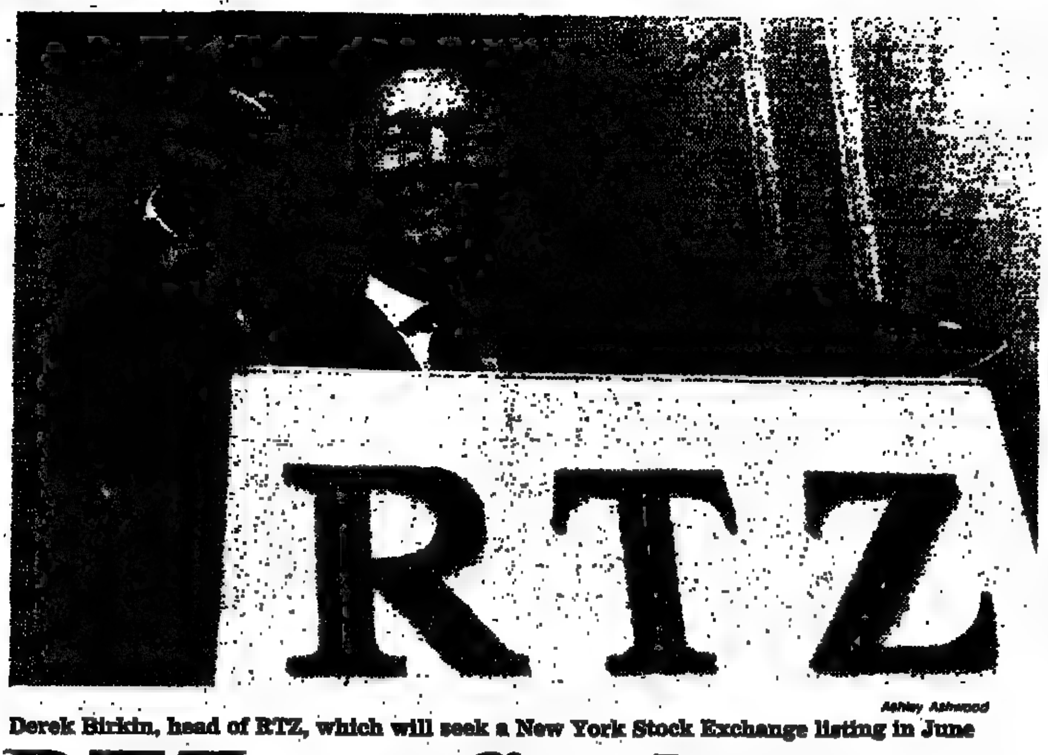
**TOKYO (Yen)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Kyosan Cable | 2500 | + | 250 |
| Nisshin Flour | 1630 | + | 110 |
| Shinagawa Ref | 1890 | + | 130 |
| **Falls** | | | |
| Aica Kogyo | 1030 | – | 190 |
| Koatsu Gas | 1090 | – | 200 |
| Shokusan Jut | 998 | – | 182 |

New York prices at 12.30.

**LONDON (Pence)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Allied-Lyons | 450 | + | 11 |
| Aviva Pet | 44¾ | + | 3 |
| Bass | 935 | + | 22 |
| GUS A | 985 | + | 12 |
| Greycoat | 396 | + | 11 |
| Guinness | 679 | + | 9 |
| Hardy Oil | 200 | + | 6 |
| Land Securities | 477 | + | 11 |
| Lon & Edin Tst | 172 | + | 34 |
| MEPC | 483 | + | 15 |
| Wellcome | 703 | + | 17 |
| **Falls** | | | |
| Brit Airways | 209 | – | 5 |
| Calor Grp | 284 | – | 10 |
| Cookson | 203 | – | 33 |
| Euro Disney | 1030 | – | 40 |
| Glaxo | 784 | – | 22 |
| LASMO | 597 | – | 13 |
| Nobo Grp | 115 | – | 28 |





Derek Birkin, head of RTZ, which will seek a New York Stock Exchange listing in June

Ashley Ashwood

# RTZ profits leap to more than £1bn

By Kenneth Gooding, Mining Correspondent in London

RTZ Corporation, the world's biggest mining company, ended what chief executive Mr Derek Birkin described as a "momentous year" with taxable profits for 1989 comfortably above £1bn for the first time. The result climbed sharply to £1.164bn ($1.75bn), compared with £879m the previous year.

Net attributable profits were up 38 per cent from £425m to a record £588m. This was at the top end of most analysts' expectations.

Mr Birkin said RTZ had smoothly absorbed British Petroleum's mining and minerals assets, bought for $3.7bn at the beginning of 1989, had restored the group's balance sheet strength and was poised both for strong organic growth and for further acquisitions.

Mr Ian Strachan, RTZ's finance director, said the group aimed to list its shares on the New York Stock Exchange in June. Although RTZ makes half its attributable profits in North America, only 3 per cent of its shares are held there.

The shares should appeal particularly to major institutional investors, he said, and RTZ hoped that in the medium term about 10 per cent of its equity would be held in the US.

The next step would be a listing in Tokyo, because the Japanese were RTZ's major customers.

After the results were announced, RTZ's shares rose 7p to 548p, possibly because of confusion caused by the fact that the Stock Exchange news service did not include the net attributable profit and Reuter put it £100m too high at £686m. The price had been strong for some days in expectation of good results, profit-taking emerged yesterday and the shares closed 2p down at 538p.

RTZ's net debt as a percentage of total equity, which soared to 185 per cent immediately after the BP deal, had been reduced to £995m or 34 per cent by the year end, helped by the sale of RTZ Chemicals for £568m, conversion of the 9.5 per cent loan stock and proceeds from a £479 rights issue.

Mr Strachan said that capital expenditure, £350m last year, would rise to an annual £500m for some years but that would not affect the level of gearing.

RTZ's natural resources operations last year contributed £641m after tax but before corporate and financing charges, an increase of 110 per cent (from £305m) on the 1988 level. This included an initial contribution of £295m from the former BP assets. While aluminium and gold prices were lower last year, they were offset by reasonably firm demand and improved copper, zinc, iron ore and titanium dioxide feedstock prices, which, Mr Birkin pointed out, underlined the strength of RTZ's broad asset base.

The related industrial activities, now principally RTZ Pillar, the building and engineering products business, contributed £66m against £90m, following a severe downturn in UK and North American residential building activity.

Pillar spent more than £7m on a reorganisation which resulted in about 2,000 redundancies and this should result in a strong performance when economic activity in the UK and North America revives.

RTZ's turnover increased by 25 per cent, from £4.93bn to £6.16bn and earnings per share were up by 28 per cent from 49.2p to 62.8p. The group is lifting its total dividend by 23 per cent from 15p to 18.5p with a proposed final of 13.5p.

Mr Birkin was not giving much away about prospects for 1990 but he pointed out that world economic growth was expected to be a reasonable 2.75 per cent this year, while metals prices were expected to be "flat" rather than to fall.

● RTZ is also on course to join the relatively few companies which produce more than 1m troy ounces of gold a year. Following the BP acquisition, RTZ's output last year jumped from 227,000 to 864,000 ounces. When the Bougainville mine in Papua New Guinea comes back into production, the total could go above 1m and another potential mine in that country, on Lihir Island, might add another 400,000 ounces a year.

Lex, Page 24

# Mitsubishi will pay Kodak up to Y40bn for Verbatim

By Alan Cane in London and Louise Kehoe in San Francisco

MITSUBISHI Kasei, an affiliate of one of Japan's six large integrated electronics companies, is to pay Eastman Kodak, the US chemicals group, between Y30bn (£120m) and Y40bn for Verbatim Corporation, a manufacturer of magnetic media for computer systems.

The sale had been anticipated as part of a restructuring announced by Kodak last year.

Mitsubishi intends to strengthen its business information system division and use Verbatim's global sales network.

The Japanese company would also have the rights to Verbatim's Datalife brand name.

Mitsubishi and Verbatim have had a close relationship since 1982, when the two companies formed a floppy disk joint venture in Japan.

Since Verbatim was acquired by Kodak in 1985 for $175m, however, the floppy disk manufacturer has struggled in the face of mounting competition from Japan.

In 1988, Verbatim filed a dumping suit against Japanese manufacturers of floppy disks, charging that they were selling their products in the US below cost.

Last year the suit led to the imposition of stiff dumping duties upon Japanese-made floppy disks sold in the US.

Mitsubishi will obtain all Verbatim stock and its floppy disk and digital cassette tape business.

Floppy disks and magnetic tapes are the most common methods of low-cost data storage for computers.

Significantly, however, Kodak is retaining a business it co-developed with Verbatim which is concerned with small format optical disk technology. That business and its other magnetic tape activities would remain within Kodak's mass memory division.

Optical disk technology, where large amounts of data can be written and read by laser on the surface of a metallic disk, is likely to be the most important method of data storage in the future.

Kodak said it was selling the Verbatim business to concentrate on products consistent with its magnetic imaging strategy.

Verbatim, now 21 years old and based in Charlotte, North Carolina, was one of the pioneers of the floppy disk industry and has annual sales of approximately $300m.

# Guinness rises 33% to £691m before tax

By Philip Rawstorne in London

GUINNESS, the international drinks group, yesterday served up a 33 per cent increase in pre-tax profits for 1989. More than 80 per cent of the £691m ($1.10bn) result came from outside the UK, making the group one of Britain's top export earners.

Operating profits on the spirits business were 24 per cent higher at £542m, and for the first time for a decade the group's distilleries were working at full capacity. The group's stake in LVMH, the French cognac and luxury goods group, which yesterday reported a 46 per cent rise in profits, brought in £102m, compared to £21m in the previous year.

Mr Anthony Tennant, chairman, commented: "As consumers become more affluent, many want to spend their growing disposable income not on buying more but on buying better products. There need be no end to the opportunities that this offers the good marketer. Nowhere is this more true than in the strongly branded sectors in which Guinness works."

The City appeared to take the same view. Analysts lifted their estimates of 1990 profits to between £830m and £840m and Guinness shares closed up 9p at 679p. Mr Tennant said that, for the first time last year, the benefits of recent organisational changes were clearly reflected in trading results.

Group turnover was 15 per cent higher at £3.07bn and earnings per share rose by 33 per cent to 51.3p from 38.5p. A final dividend of 10.9p lifts the total payment by 33 per cent to 15.3p. Brewing worldwide turned in profits of £124m – 25 per cent up – with significant volume growth in stout.

United Distillers' portfolio of deluxe and premium spirits brands made substantial gains in the high-growth Asia/Pacific market. Volumes increased by 25 per cent in Japan after the removal of discriminatory taxes; and prospects were "encouraging" in South Korea and Taiwan, said Mr Tennant. In the US, Johnnie Walker and Dewar's Scotch whisky and Tanqueray gin all increased share in a difficult market.

# LVMH advances to FFr2.93bn

By George Graham in Paris

LVMH, the leading French drinks and luxury products group, reported net profits of FFr2.93bn ($510m), up 46 per cent from the previous year.

The group's sales have increased by half, and its profits have more than doubled since it was formed in June 1987 from the merger of Moët Hennessy, the champagne and cognac producer, with Louis Vuitton, the luggage manufacturer.

LVMH's businesses have continued to expand rapidly, in spite of the bitter and protracted power struggle which led to the departure of its founding chairman, Mr Alain Chevalier, in January 1989, and then to a series of law suits between Mr Bernard Arnault, who took over as chairman, and Mr Henry Racamier, the head of the Vuitton family.

The two sides were back in front of the judges yesterday, for an appeal court hearing on whether a controversial issue of bonds with attached warrants, bought almost entirely by Mr Arnault and accounting for about 11 per cent of LVMH's equity, should be cancelled.

LVMH's cognac and spirits division, including principally the Hennessy and Hine cognacs, was the biggest profit centre last year with a 50 per cent advance in operating profits to FFr2.02bn. Luggage, leather goods and accessories showed a 34 per cent advance in operating income to FFr1.95bn, with sales rising by the same proportion to FFr4.7bn.

Total group operating income, before net financial costs and excluding LVMH's 12 per cent stake in Guinness, rose by 19 per cent to FFr19.64bn.

LVMH has an agreement with Guinness permitting it to increase its stake in the British drinks group to the same level as Guinness's net consolidated interest in LVMH, or 23.7 per cent. Plans to exercise this possibility have been delayed by the litigation between Mr Arnault and Mr Racamier, and LVMH officials said the stake was unlikely to be increased in the immediate future.

# London & Edinburgh Trust in bid talks

By Paul Cheeseright, Property Correspondent, in London

LONDON & Edinburgh Trust (LET), the property group built up by the Beckwith brothers, yesterday stimulated a depressed property sector by declaring that it was in bid talks.

The group's market valuation jumped by almost a quarter as the share price rose 34p to 172p, making the ordinary share capital worth £324m ($515m). The property sector, which since the beginning of last year has been underperforming the rest of the equity market, moved higher.

There has been speculation for several months that the group would either seek a merger or float elements off.

Movement in the share price yesterday morning prompted Lazard Brothers, London & Edinburgh Trust's merchant bank advisers, to announce that the group "is in discussions with a third party, following an approach, which may or may not lead to an offer being made for the company."

This approach was evidently made several weeks ago, but discussions have only recently reached the stage where they could be called serious negotiations.

They are expected to continue for about another fortnight.

Although no information about the potential bidder has emerged, the market was quick to speculate:

● First, that LET is the subject of foreign interest evident in the British property market. This interest is based on the appreciation that property investment companies have been trading on discounts of 40 per cent to their net asset value and that development companies have been trading on price-earnings ratios of less than 10.

● Second, there is no secret that the Beckwith brothers, who set up LET in the early 1970s and own 20.5 per cent of the company's equity, have been dissatisfied with the group's share price. This has led to speculation that LET may seek to sell parts of the group to give shareholders a capital return – the assumption being that the parts are worth more than the whole.

**London & Edinburgh**

Share price relative to FT-A All-Share index



LET is a property development company, with half of its activity overseas. The group, which has expanded rapidly over the last two years, has 22 property schemes in Europe and a joint company in the Far East.

LET has also expanded its leisure interests, including a sport club and ice rink in the UK and a French golf club.

LET has a strengthening asset base and some interests in financial services.

Its current asset value is estimated at about 180p a share and it is expected that shortly it will announce 1989 pre-tax profits of about £70m.

Slipping returns from commercial property and concern about the financial vulnerability of development companies has caused investment interest to fall away from the property share market.

Excitement returns mainly on the prospects of a bid.

Rutland results, Page 35

# Hepworth pays £155m for Saunier

By Jane Fuller in London

HEPWORTH, the UK building materials and home products group, has propelled itself to the top of the European market for gas boilers with the £155m ($246m) purchase of Saunier Duval, the French market leader.

The deal will give Hepworth an estimated 18 per cent of the EC gas boiler market, ahead of Vaillant of West Germany, and Blue Circle of the UK.

Hepworth's sales have been largely UK-based: only 28 per cent of its £604m turnover for 1989 came from overseas. Saunier Duval, with subsidiaries in four other EC countries, will increase that proportion to 42 per cent. Last year it made a FFr£162m ($28m) trading profit on turnover of FFr1.4bn. Hepworth yesterday announced an 18 per cent 1989 pre-tax profits increase to £102m.

Based near Paris, it specialises in combined heating and water boilers, for which the UK market is growing rapidly. Mr Sinclair Thomson, Hepworth's chief executive, said that most systems in continental Europe were combined, whereas the traditional UK system had a hot-water cylinder.

The vendor is Financière Saunier Duval (FSD), which bought the boiler maker from Saint Gobain, the French glass group, two years ago when it had just returned to profit. About half the FFr1.4bn purchase price is for shares, the rest repays debt.

The UK company is raising £100m by issuing 11¼ per cent convertible capital bonds, due 2005, and the rest by borrowing – mostly in France at rates of 10 to 11½ per cent. The price for converting the bonds into shares is 286p, compared with yesterday's close of 270p.

Hepworth's gearing (proportion of net debt to shareholders funds) shoots up from 4 to 68 per cent.

Results, Page 33

FT WRITERS REPORT ON DEVELOPMENTS AT EUROPE'S LARGEST ENGINEERING GROUP

# Tensions rise at ABB and Ansaldo

By John Wyles in Rome

DIFFERENCES over future strategy and control are severely disrupting the power engineering joint venture between Asea Brown Boveri (ABB) and Italy's Ansaldo.

Tensions within the partnership, established at the beginning of last year, have come out into the open with a move by Finmeccanica, the state holding company which controls Ansaldo, to sequester ABB's 60 per cent shareholding in Franco Tosi, the Italian power plant manufacturer.

Finmeccanica says the sequestration, which an Italian court has granted on an interim basis, is purely "precautionary" and should not be seen "as an act of war."

But feelings are running high at Finmeccanica's headquarters over ABB's failure to pass to the joint venture the majority stake in Franco Tosi by the March 15 date stipulated in their agreement.

Franco Tosi is Italy's second manufacturer after Ansaldo of power equipment and was on the verge of being acquired by the state company in 1988 when ABB stepped in with a higher last minute offer.

ABB and Ansaldo also set up a second joint venture at the beginning of 1989, with the former holding 60 per cent control, specialising in the manufacture of generators.

The ABB-Ansaldo problem will be seen as putting a further question mark against joint ventures between public Italian companies and private sector partners.

Though many are working in total harmony, problems seem to arise because the state-owned company is not allowed the political flexibility to make a swift change of strategy which some private partners suddenly require.

ABB's surprise acquisition last November of Combustion Engineering of the US appears to lie at the heart of the problem with Finmeccanica.

Until then, Ansaldo ABB Componenti was clearly designated to be ABB's flagship, albeit on a minority basis, in the business of power station boilers and steam turbines.

Mr Percy Barnevik, ABB's president, is understood to believe that to be more competitive the joint venture needs to use the US technology and that it should be more closely integrated into ABB.

He is also said to be concerned that the market for traditional boilers is falling, while the joint venture has no strategy or capacity to move into the growing sector of gas turbine generation.

Finmeccanica, which is part of the Iri group, says that it is prepared to discuss how to rationalise these overlapping activities after Franco Tosi has been put in the joint venture, but not before.

## Financial Services unit boosts earnings by 34%

By Robert Taylor in Stockholm

ASEA Brown Boveri's Financial Services, one of the fastest growing business segments in Europe's biggest engineering group, announced yesterday that it achieved a 34 per cent improvement in its profits (after financial items) last year, with a rise to $101.4m from $75.5m in 1988.

Its total assets nearly doubled in 1989 with an increase to $9.23bn from $4.92bn in the previous year.

In its four years of life, Financial Services has benefitted from the dramatic global rise of the parent company since the Asea Brown Boveri merger in the autumn of 1987.

"We want to be a multi-domestic financial services group considered local where we operate but applying global technology," insists Mr Lars Thunell, president of Financial Services, from his Stockholm headquarters, which co-ordinates a business that now has offices in 13 countries.

Financial Services accounts for around 12 per cent of ABB's profits and the aim is to increase that share to 15 per cent.

The business is also spreading its activities into insurance through the Sirius group, commodity trading mainly in metals and minerals, leasing, as well as stock brokerage and investment management.

## BBC Brown Boveri acts to ease foreign investment

By William Dullforce in Geneva

BBC BROWN Boveri, the Swiss holding company which owns half of Asea Brown Boveri (ABB), is opening its share register to foreigners.

BBC said the move reflected the multinational basis of the ABB group and would enable it to make use of foreign capital markets to meet future equity needs.

The board announced yesterday that it was raising the ceiling on shares that could be held by a single stockholder from 15,000 or roughly 1.5 per cent to 7 per cent of the total registered stock regardless of the holder's nationality.

At the same time BBC announced dividend and capital increases. The holding company reported a 1989 net income of SFr103.8m ($68.2m).

The BBC board proposes to raise its shareholders' dividends from SFr50 to SFr62.50 per bearer share and from SFr10 to SFr12.50 per registered share and participation certificate, making a total payout of SFr94.3m.

In addition, to meet its part of the SFr780m increase in ABB's share capital in December, BBC will float a convertible bond issue of about SFr150m and raise some SFr250m in new share capital through a one-for-20 offer to holders of registered and bearer shares.

## Power Corp rises slightly

POWER Corporation of Canada, the management holding company of Mr Paul Desmarais, the Montreal financier, earned C$221.3m (US$188m) or C$1.68 a share in 1989, against C$217.9m or C$1.65 last time, writes Robert Gibbens.

After including gains on the sale of controlling interests in Montreal Trustco and Stone-Consolidated, net income was C$606.3m or C$4.71, against C$214.5m or C$1.62.

The company has more than C$1.5bn in cash resources, equal to about C$10 a share.

## Skanska advances to SKr2bn

By John Burton in Stockholm

SKANSKA, Sweden's largest construction company, said yesterday in a preliminary report that profits after financial items exceeded SKr2bn ($324.1m) in 1989, an increase of some 15 per cent above the 1988 result of SKr1.7bn.

Earnings after extraordinary income climbed just above SKr2.7bn, an increase of 50 per cent.

Invoiced sales, including rental revenues, totalled approximately SKr30bn, a rise of 30 per cent. Sales from contracts credited to income, excluding rental revenues, were some SKr22bn, an increase of 18 per cent.

● Nordstjernan, the Swedish conglomerate controlled by the Johnson family, reported unchanged profits after financial items of SKr1.16bn for 1989. The board proposed a dividend increase to SKr2.75 per share from SKr2.25.

A sharp profit fall for Avesta, its stainless steel subsidiary, was the prime reason for Nordstjernan's flat profit growth. Its earnings from Avesta dropped by 78 per cent to SKr168m.

Earnings from the NK department store chain remained unchanged at SKr27m, while income from Johnson shipping line fell by 22 per cent to SKr130m.

Balancing these poor results was a 85 per cent growth in profits to SKr855m for its NCC construction and property operations.

Group sales fell by 5 per cent to SKr23.2bn.

## Baltica posts strong growth in earnings

By Hilary Barnes in Copenhagen

BALTICA HOLDING, the insurance-based group, reported a strong growth in earnings before capital items from DKr474m ($73m) in 1988 to DKr1.18bn last year. Total revenues increased from DKr10.85bn to DKr11.57bn.

But the capital account showed a loss of DKr17m against a surplus of DKr737m in 1988. This mainly reflected bond price movements in Copenhagen.

Pre-tax profits fell slightly from DKr1.23bn to DKr1.16bn. Net profits were virtually unchanged at DKr1.12bn.

Return on equity fell from 24 to 16 per cent, while the equity ratio increased from 16 to 22 per cent of assets. An unchanged 8 per cent dividend was proposed.

Results for the insurance business were described as extremely satisfactory. It was favoured by good weather conditions and the average indemnity percentage fell by 7 per cent. The finance division also achieved an improvement in earnings.

Baltica said 1990 would be used to organise future co-operation with the French finance group Compagnie Financière de Suez, a co-operation which was sealed with an equity exchange between the two groups last autumn. Results of the co-operation are expected to show up first in 1991, said Baltica.

Meanwhile, results this year will be influenced by bond and share price movements. On the assumption that these do not change, results in 1990 will be slightly lower than in 1989, said Baltica's preliminary statement.

## Hoogovens earnings lifted by asset sales

HOOGOVENS, the Dutch steelmaker, expects 1990 earnings to fall below those of 1989 which were more than doubled due to asset sales and buoyant business, writes Laura Raun.

Net income was Fl 751m ($390m) in 1989 against Fl 301m, including a gain of Fl 546m from asset sales.

## Siemens confident of buoyant sales

By David Goodhart in Bonn

SIEMENS, the West German electrical and electronic giant, has said it expects a healthy increase in orders and sales for the current year and a particularly buoyant sales rise in the data and information systems division of 20 per cent.

Mr Karlheinz Kaske, chief executive, told the annual shareholders meeting that orders for the first five months of the current year stood at DM28.7bn ($16.9m) a 12 per cent rise on the previous year.

For the year as a whole orders are expected to rise from DM63bn to DM66 or DM67bn and sales are expected to rise from DM61bn to DM64 or DM65bn.

Mr Karl-Hermann Baumann, finance director, said he expected next week a green light from the Cartel Office in West Berlin for the takeover of Nixdorf.

The Brussels merger control authorities will also have to give their blessing to the deal but Siemens' executives expect no problem there either.

Some analysts do, however, believe that the Cartel Office will insist that Nixdorf's telecommunications business is sold off.

Meanwhile, in a magazine interview Mr Hermann Franz, the company's chief strategist, announced that Siemens was actively seeking a Japanese partner in the auto electronics sector, where it has recently consolidated its position in the US.

The company has also announced that it will be installing six of its standard EWSD digital exchanges in the East German towns – Dresden, Chemnitz, New Brandenburg, Rostock, Zwickau and Strausberg.

## COMPANY NEWS IN BRIEF

UNIGESTION, the Geneva-based finance company which took control of Banca della Svizzera Italiana (BSI) in 1988, plans to raise its dividend from SFr20 to SFr23 per bearer and registered share after posting a 20 per cent increase to SFr16.7m ($11m) in 1989 net earnings, writes William Dullforce in Geneva.

BSI contributed SFr6.3m to the results, net of all financing costs. Unigestion's net operating income reached SFr45.3m last year, an increase of 54 per cent when extraordinary income from the sale of office premises in 1988 is deducted.

Unigestion reported growth in all its areas of activity with a 12 per cent increase in brokerage commissions and improved performance in foreign exchange and precious metals. Total assets at the end of December stood at SFr591m, up 35 per cent over the year.

■ Columbia Pictures Entertainment has named Mr Frank Price chairman of its Columbia Pictures studio, Reuter reports. Mr Price replaces Dawn Steele, who resigned in January following Sony's acquisition of Columbia Pictures Entertainment. Mr Price has held a number of senior positions in Hollywood movie companies.

■ Standa, the Italian retail chain controlled by Silvio Berlusconi, bounced back into the black last year with consolidated net profit of L31.9bn ($25.4m), against a loss of L42.1bn in 1988, Reuter reports. Turnover rose 11.5 per cent to L3,600bn. Standa did not say whether it planned to pay a 1989 dividend.

■ Creditanstalt-Bankverein, Austria's largest bank, boosted its 1989 net profit by 39 per cent to Sch1.42bn ($118.3m) from Sch1.02bn a year earlier, AP-DJ reports. Partial operating profit climbed 25 per cent to Sch2.4bn from Sch1.9bn a year earlier. Partial operating profit excludes income from trading for its own account.

■ Enso-Gutzeit, the Finnish forest products group, reported group profit before taxes and extraordinary items of FM950m ($237.5m) last year, against FM906m in 1988, Reuter reports. Net sales rose to FM10.76bn from FM9.8bn. The proposed dividend is 11 per cent or FM1.1 per share.

■ Hanomag, the construction machinery maker which was taken over by Japan's Komatsu group last year, said 1989 net profit rose to DM43.8m ($25.8m) from DM1m the previous year.

## VME rises 65% and plans to buy Zettelmeyer

By Nick Garnett

VME, the Swedish-American construction machinery group has announced net income for last year of $49m, up 65 per cent on the $29.7m of the previous year.

Sales of $1.17bn were up 9 per cent on 1988. Operating income reached $72.3m, compared with $55.3m previously.

The company, formed in 1985 out of Volvo's construction machinery business and the heavy machinery interests of Clark of the US, achieved a 20.7 per cent return on equity, compared with 14.4 per cent the previous year.

VME said its performance last year reflected manufacturing and product rationalisation as well as the strength of demand.

"World markets for earth moving and construction equipment continued to be strong but with minor signs of weakening in certain areas towards the end of the year," said Mr Tuve Johannesson, the group's president and chief executive.

The company also announced that it was purchasing the Zettelmeyer construction machinery business from its parent, West Germany's Eder Group.

Zettelmeyer, based in Konz, West Germany, had sales last year of $140m and manufactures wheel loaders and bulldozers.

VME said it had purchased a minority stake in Zettelmeyer and planned to increase this to a majority holding in 1991.

## Esso-Saf jumps to FFr759m

ESSO-SAF, the French unit of Exxon, the US oil company, said its 1989 net consolidated group profit after payments to minority interests jumped to FFr759m ($131.8m) from FFr120m in the previous year, Reuter reports.

The executive board has recommended that the per-share dividend remain at FFr25, following an interim payment of FFr15 a share in February.

Earnings from refinery operations fell to FFr351m.

# New World seeks to take full control of hotel interests

By Angus Foster in Hong Kong

NEW WORLD Development, a Hong Kong property company, is seeking to take full control of New World Hotels, its 51 per cent owned hotel arm which last year took over the US-based Ramada chain.

The offer, which is subject to minority shareholder approval, values New World Hotels at HK$3.6bn (US$462m) and marks the largest company so far to try and pull out of Hong Kong's lacklustre stock market.

New World Development and Chow Tai Fook, its privately owned parent – both controlled by the Cheng family – are offering HK$6.25 a share for the 25 per cent of New World Hotels they do not already own between them.

The bid is pitched at a 17.9 per cent premium to the shares' pre-suspension price yesterday, but is still some way below New World's Hotel's net asset value, estimated at HK$8 a share.

The proposals, however, are likely to be accepted since the largest minority shareholder, with 9 per cent, is a company controlled by Peregrine, a newly founded aggressive investment house backed by some of Hong Kong's best-known tycoons.

Peregrine acquired the New World Hotels stake last month at an effective book cost of HK$5 a share. Yesterday's offer could net the company a quick profit of HK$66.3m. Mr Philip Tose, Peregrine chairman, said the offer was "not unreasonable" and he is thought likely to accept.

The offer also marks the latest in a stream of deals from Mr Henry Cheng, New World Development's high-profile managing director, who took over the company from his father a year ago. Last September, Mr Cheng helped Mr Vincent Lo, another prominent Hong Kong businessman, take private Shui On, his property company.

Mr Cheng said New World Hotels' shares had not been actively traded and, with the outlook for the Hong Kong hotel market unclear, the offer gave minorities a chance to sell out of the company.

New World Hotels owns or manages seven hotels in Hong Kong and has ambitious plans throughout Asia. The company also manages more than 100 hotels worldwide under the Ramada name.

Although its borrowings were raised sharply by the US$355m Ramada takeover, Mr Cheng said yesterday that the disposal of some of the Ramada chain's US assets, due for completion in July, would bring down the group's gearing.

# Hongkong Hotels gains 15% in 'difficult year'

By Angus Foster

HONGKONG and Shanghai Hotels, owner of the Peninsula, the colony's most luxurious hotel, yesterday reported a 15 per cent rise in net profits to HK$370m (US$47.4m) while admitting that last year was difficult.

Turnover grew 29 per cent to HK$1.47bn and the company, which is controlled by the Kadoorie family, also said profits were boosted by a HK$40m writeback of excess provisions as well as by changes in accounting policy.

Despite a slowdown in tourism in Hong Kong, the Peninsula and the Kowloon Hotel, the company's other hotel in the colony, reported extremely high average occupancies of 83 per cent and 91 per cent respectively.

The Peninsula also claimed the highest average room rate in Hong Kong of HK$2,197 a night.

However the group's Peninsula New York hotel lost money steadily last year. ALthough occupancy levels improved at the end of the year, the project is likely to stay in loss until 1992 at the earliest, the company said.

In China, Hongkong and Shanghai Hotels' last remaining management contract, for the Portman in Shanghai, runs out next month. However the company is thought to be negotiating for the management contract for the Palace Hotel in Peking.

Earnings per share grew 15.6 per cent to 37 cents. The company is recommending a final dividend of 11 cents to make total distribution for the year of 17 cents, up 13 per cent from last time.

Mr Hanmer Webb-Peploe, managing director, said he believed the hotel market was now returning toward previous levels after the impact of last year's slowdown.

# Jardine Strategic profits rise 46% to HK$1.28bn

JARDINE Strategic Holdings, the investment holding company set up three years ago as part of a restructuring within Hong Kong's Jardine Matheson empire, yesterday rounded off the group's reporting season by announcing net profits up 46 per cent to HK$1.28bn (US$163m) last year, writes Angus Foster in Hong Kong.

The company derives almost all its income from key stakes in Jardine Matheson's listed associates, which have already announced strong profits growth.

Under a cross-shareholding Jardine Strategic owns 36 per cent of Jardine Matheson, which in turn holds 54 per cent of Jardine Strategic. Jardine Strategic also owns 45 per cent of the retailer Dairy Farm, 33 per cent of Hongkong Land, the leading property company, and 47 per cent of Mandarin Oriental, a hotel operator.

Jardine Strategic said earnings per share increased 48 per cent to HK$2. The company is recommending the payment of a final dividend of 16 cents for its ordinary shares and 35 cents for its preference shares. Total dividends for the year on the ordinary shares increased 39 per cent to 25 cents while the total distribution on the preference shares remained unchanged at 50 cents.

Mr Henry Keswick, chairman, complained that the company's shares continued to be shunned by the stock market. He said Jardine Strategic traded at a 39 per cent discount to net asset value at the end of last year.

However the shares have risen in the last week as various Jardine companies have reported higher than expected profits. Yesterday they added a further 40 cents to HK$10.

Jardine Strategic results benefited further from an extraordinary gain of HK$17m compared with a loss of HK$43m.



# Lesson in store for 7-Eleven chain

**Robert Thomson** on Ito-Yokado's plans for the Southland network

Convenience stores on suburban corners around the world will come under the management of Ito-Yokado, a Japanese retail group, in its $400m agreement to take a majority stake in Southland, the ailing Texas-based owner of the 7-Eleven chain.

The Japanese company, which has had a 17-year relationship with the creator of 7-Eleven, now asserts that it will teach the debt-ridden US company a few lessons about distribution networks – an ironic ambition in the context of Washington's constant criticism of Japan's sometimes convoluted distribution system.

However, Mr Toshifumi Suzuki, president of 7-Eleven Japan and vice president of Ito-Yokado, said last night his company's merchandising skill has become well enough known for a Harvard professor to hail it as a model for retail stores. He said it has certainly "become superior to Southland's."

Toshifumi Suzuki (left) and Masatoshi Ito: distribution lessons

Ito-Yokado is the most profitable of the Japanese supermarket chains, and the company can rightly claim that the delivery system for its 4,000 Japanese 7-Eleven stores is efficient. The principle is frequent deliveries of small lots to stores, which have sophisticated stock monitoring systems, and the quick replacement of slow-selling products to create shelf space for more popular items.

Signs that 7-Eleven Japan was surpassing its maker were evident in its $75m purchase in November of Southland's 57 stores in Hawaii as part of the US company's vain attempts to salvage itself. Mr Suzuki said that the need for a change of management style in the Hawaiian stores was obvious.

"We have been researching the Hawaiian stores and found that in the front, by the window, they have a video rental display, but that business is not so good, so it is strange to put the videos in that position. We will judge the US stores by sales patterns, and we will try to meet US consumers' needs," he said.

The Japanese company and its parent argue that success has come because they "put the consumer first" in a country that is overly producer-oriented. Mr Masatoshi Ito, president of Ito-Yokado, has said that he visits the US "every year without fail" to examine distribution and marketing networks "because people in different cultures have basically the same desires, assuming they are at about the same stage of development."

That belief inspires 7-Eleven's confidence that its style in Japan can revitalise the US chain and improve returns in the 20 other countries with 7-Eleven stores. Mr Suzuki said that his company had thought about establishing a foreign network, but was in no hurry until Southland approached the company in January for help and needed an immediate decision for the sake of survival.

"The most important thing for us to do in the US is to invest more in the stores and to review the sales system," Mr Suzuki said. "Southland has good potential. It has a business profit, but a net recurring loss. If they had a loss on their business operations we would not be as interested."

7-Eleven Japan is concerned that the purchase of the US chain could stir further debate in the US about Japanese acquisitions. Mr Suzuki, however, made clear that Southland has promised to explain the deal to US business organisations and politicians to ensure that controversy is kept to a minimum.

Mr Suzuki said the two companies had a similar corporate culture, and "we have had friendly relations over 17 years." He also suggested that few companies were as cash-rich as Ito-Yokado and "could afford such a purchase," so it was the natural partner for the ailing US company.

Ito-Yokado began as a small dry-goods store in 1920, and now includes the Denny's restaurant chain, which also prides itself on its stock electronics as much as its food, and several retail chains, including York Mart supermarkets, Daikuma discount stores and Robinson's department stores.

Although retail sales in Japan have been strong in the past year, there is concern that the current currency and stock market problems will undermine consumer confidence in an already competitive market.

Mr Suzuki said the attraction of a majority stake in Southland is not just the retail potential in the US, but the "links we will have with 13,000 stores worldwide" and the potential relation with the company's present operations in Japan.

# INTERNATIONAL COMPANIES AND FINANCE

## Western Union faces threat of bankruptcy

By Anatole Kaletsky in New York

WESTERN Union, the US telecommunications company which was acquired two years ago by Mr Bennett LeBow, a leading junk bond financier, said it might be forced to file for bankruptcy within the next few months.

In a filing with the Securities and Exchange Commission, Western Union said that unless it could raise funds through asset sales or renegotiations of loan agreements, it would be unable to make an interest payment of $51m due on June 14.

The company also said that it might fail to meet the capital tests in its junk bond indentures by the end of the current quarter.

Either of these events "could result in default and could force Western Union to seek protection under the US bankruptcy code," according to yesterday's filing.

Western Union's financial troubles came as no surprise to analysts on Wall Street. The bonds issued by Drexel Burnham Lambert to finance Mr LeBow's takeover were considered almost from their inception to be among the most speculative securities in the junk bond market.

Western Union was already flirting with bankruptcy when it was bought by Mr LeBow in December 1987.

It had been struggling for years because of the steady decline of its core telegraph and money transfer businesses, but Mr LeBow's takeover imposed a huge additional interest burden, since it was financed with $500m of debt and only $25m of equity.

The company's financial position went from bad to worse last summer, when the nominal interest coupon on most of its main junk bond issue was raised from 16½ to 19¼ per cent.

The situation deteriorated further in November when Columbia Savings & Loan, a leading junk bond investor, and Drexel backed out of an agreement to lend $51.4m to one of Mr LeBow's companies which had been planning to channel the funds to Western Union.

## Banca Populare claim for compensation 'groundless'

By Haig Simonian in Milan

KPMG, the international accounting and consultancy group, yesterday sent a stiff rebuke to Italy's Banca Populare di Milano over the bank's attempts to freeze the assets of KPMG Peat Marwick Fides, the accountants' Italian partnership.

The KPMG Italian unit is embroiled in an increasingly bitter L120bn ($95.4m) legal wrangle with Banca Populare over the bank's acquisition of Istituto Milanese Leasing (IML), a small leasing company.

In a strongly worded statement, the accountants say Banca Populare should not have bought a stake in IML without having taken note of a clear "reserve" on a balance sheet item in its 1987 accounts, which KPMG audited.

Describing the bank's L120bn claim for compensation as "groundless" and "clearly intimidatory, aimed at diverting the attention of the bank's shareholders," KPMG accuses the bank of ignoring the fact that IML's 1987 accounts had included a reference to the need for further investigation of certain items.

"The fact that the acquisition was made without consulting the auditors to carry out further investigations or to wait for the revised computation of the financial depreciation indicates that the choice of buying was not based on the auditors' report," KPMG adds.

Moreover, the accountants note that some of the Banca Populare di Milano's directors were themselves involved in submitting IML's accounts, while two of the leasing company's three statutory auditors had in fact been nominated by the bank.

Banca Populare di Milano has claimed KPMG failed to notice that certain figures were grossly overstated. Last month, KPMG responded by taking the unprecedented step in Italy of standing down as the bank's auditors. The accountants have called the bank's position further into question by noting that it has tried to prevent them from standing down.

## Engesa seeks protection from creditors

By John Barham in Sao Paulo

ENGENHEIROS Especialisados (Engesa), Brazil's leading arms manufacturer, has filed for protection from its creditors at a Sao Paulo bankruptcy court.

The company has liabilities of about US$150m and assets estimated at only $75m.

Mr Sebastiao Giraldes, the company's lawyer, said: "Engesa's difficulties have nothing to do with the new Government's economic policies."

However, it laid off 500 of its 1,200 employees on Monday, the first business day under the Government's radical anti-inflation policies.

In common with the rest of the Brazilian arms industry, the roots of Engesa's problems are linked to economic problems in its principal export markets in the Middle East and black Africa. Sales have dwindled with the end of the Gulf War, falling oil prices, rising debts and an uncompetitive exchange rate.

In January, Avibras, another significant Brazilian arms manufacturer, filed for protection from its creditors, suffocated by debts of $200m.

Engesa staved off bankruptcy for years in the hope of clinching an elusive Saudi Arabian tank contract, said to be worth $2bn.

Revenues began declining in 1987.

The company reduced its labour force, sold off assets, pressed for government financial assistance, but still sank into debt.

Until last week's emergency policies, short-term bank loans were carrying nominal interest rates approaching 3,000 per cent a year.

Mr Giraldes said local banks and suppliers are the company's main creditors.

## Varity improves net earnings

By Bernard Simon in Toronto

VARITY Corp, the once-ailing farm and industrial equipment maker, posted its best performance last year since the mid-70s, in spite of a 10 per cent drop in the operating profit of its fast-expanding automotive parts business.

Net earnings of the Toronto-based company, formerly Massey-Ferguson, grew to US$92.1m or 35 cents a share, in the year to January 31, from $81.7m or 33 cents a year earlier. Revenues rose to $2.38bn from $2.29bn, with a 40 per cent jump in automotive product sales more than offsetting a slight drop in farm and industrial machinery revenues.

Fourth-quarter income was $33.7m or 12 cents, up from $28m or 12 cents a year earlier. Sales rose by 26 per cent to $788m, the highest level in a decade. The automotive division contributed more than a quarter of total sales.

Thanks to the $650m acquisition last December of Kelsey-Hayes, a US car and light truck parts maker, sales by the automotive products division trebled in the fourth quarter to $226.1m.

Varity said the drop in the division's operating profit was caused mainly by sluggish conditions in truck and trailer markets served by Dayton Walther, the other mainstay of its automotive business.

Varity, which was pushed to the brink of collapse in the early 1980s by the prolonged slump in the farm machinery market, said it had substantially strengthened its balance sheet.

Cash reserves rose by $84m to $302m, and new agreements with its creditors have removed many of the covenants which restricted its financial flexibility.

Nonetheless, borrowings to finance the Kelsey-Hayes acquisition pushed long-term debt up to $792m at the end of January, from $258m a year earlier. Fourth-quarter interest payments jumped from $16.2m to $28.6m.

A Varity official said that cash flow was expected to jump this year to $150m, from $55m in 1989.

Varity, which has a 20 per cent share of the world tractor market, said operating income from farm machinery rose last year in the face of a flat market, thanks to a more profitable sales mix and tight cost controls.

The company, one of Canada's oldest, is embroiled in a political row over a proposal to move its head office from Toronto to Buffalo, New York. Critics allege the move would violate job-creation and other undertakings given to the Ontario Government as part of one of the earlier bailout packages.

## Kaufman results reflect strong demand for homes

By Karen Zagor in New York

KAUFMAN and Broad Home Corp, a big US home builder and real estate developer, yesterday reported strong first-quarter results, reflecting better-than-expected demand for homes in California.

However, the company's net orders and backlog fell during the latest three months, indicating potential weakness in the housing market.

Net income for the three months to end-February advanced 16 per cent to $13.3m from $11.5m in 1989.

Earnings per share on a fully diluted basis fell to 38 cents from 42 cents a year earlier because of the greater number of shares outstanding.

The Los Angeles-based company, which is the biggest single-family home builder in California and the third-biggest in France, said revenues in the first quarter jumped to $315.7m from $185.8m.

The company's commercial development business, which is based in France, contributed $110.2m to revenues in the 1990 first quarter, against $24.5m in 1989. The company said its two Paris-based commercial office development joint ventures, Atlantique Montparnasse and Washington Plaza, accounted for most of the increase.

Mr Bruce Karatz, president and chief executive, attributed the improved results to better-than-expected performances by the company's California home building operations and the company's French commercial development business.

"The California housing market is demonstrating remarkable resilience, particularly in the entry-level product category, despite two years of rapid price escalation," he said.

"While we remain extremely cautious in our operating approach to this still very competitive market, the outlook for 1990 has definitely improved in the past month," Mr Karatz added.

Net housing orders during the first quarter fell 21 per cent to 1,137 units, while the company's residential backlog fell 15 per cent to $297.1m at the end of the 1990 first quarter.

However, during the first three weeks of March, net orders in California climbed 48 per cent, increasing the company's backlog by more than $46m.

## Case Poclain more than doubles profits

By William Dawkins in Paris

CASE POCLAIN, the formerly troubled French manufacturer of farm and construction machinery, controlled by the US Tenneco group, yesterday reported more than doubled profits for 1989.

The figures are not exactly comparable because the company has changed its accounting year-end, but sales rose to FFr7.1bn (US$1.23bn) in the 13 months to end-December, from FFr6bn in the previous 12 months to November 1988. This makes Case Poclain the country's third industrial engineering group in sales terms.

Net profits advanced from FFr102m to FFr239.5m over the same period.

The group said demand from construction and public works customers was strong throughout the industrialised world, as were sales of agricultural equipment in France, but it warned that the environment was deteriorating.

Adjusting for the change in year-end, sales rose by an underlying 12 per cent overall.

## Avery registers lower rate of revenue growth

By Karen Zagor in New York

AVERY International, the worldwide manufacturer of tapes, office products and specialty chemical adhesives, yesterday reported essentially flat first-quarter earnings.

The Pasadena, California-based company reported net income for the three months ended February 28 of $20.4m or 46 cents a share, compared with profits of $20.3m or 46 cents in 1989. Revenues in the 1990 quarter rose by 4 per cent to $431.4m from $413.9m a year earlier, against 11 per cent revenue growth in the first quarter of 1989.

Mr Charles Miller, chairman and chief executive, attributed the slower rate of revenue growth to a slowdown in several of Avery's key industrial markets. "In the US, slower markets affected our automotive businesses and our tag and ticket businesses which serve retail department stores," he said. Business difficulties experienced by two of Avery's key customers in France hurt the company's diaper-tape business.

Avery's US roll paper and films materials businesses reported solid sales and profits, as did the company's office products business.

Mr Miller said Avery's European automotive business remains strong.

Although Avery anticipates slower industrial growth for the coming year, the company expects to report improved earnings and sales for the whole of 1990.

# Treasuries gain on back of Japanese troubles

By Janet Bush in New York and Andrew Freeman in London

US TREASURY bonds registered healthy gains at midsession, largely reflecting continued strength in the dollar and turmoil on the Japanese stock market.

Short-dated maturities were quoted as much as ¾ point higher and the Treasury's benchmark long bond was quoted ⅝ point above Wednesday's close to yield 8.44 per cent.

## GOVERNMENT BONDS

There are various theories about why bond prices have been rising so solidly. These include the argument that Japanese investors are putting money into US bonds as a safe haven from their troubled markets.

One source of buying at the long end of the yield curve is stripping activity by Japanese investors interested in owning zero coupon bonds. Stripping activity has doubled since the beginning of the year from the $2.5bn monthly average in the fourth quarter.

The dollar continued to profit from the loss of confidence in Tokyo, rising to Y155.10 at the New York midsession from an earlier low in the US of Y154.55.

■ UK GOVERNMENT bonds enjoyed a slight tonic yesterday in the form of better than expected trade figures for February.

However, a restrained rise in gilt prices was more technical than fundamental and traders said sentiment remained nervous following remarks in Tuesday's Budget by Mr John Major, the Chancellor, on funding policy.

At the long end, the 11¾ per cent gilt maturing 2003-07 improved to 97¼, up ⅜ to yield 12.09 per cent, while shorter maturity gilts were up around ⅛ point.

Analysts said that the trade figures, particularly the sharp 4.5 per cent monthly decline in basic materials imports, showed a trend in the right direction.

■ THE WEST German government bond market moved forward yesterday after a hesitant start, as technical trading and a slight reduction in volatility on the futures market encouraged dealers to mark prices higher.

The June bund future dropped 30 pfennigs below its previous close of 82.70 before recovering strongly to breach the 83.00 resistance level. The contract reached a high of 83.50 and settled around 83.32.

On the cash market, the benchmark 7¾ per cent bund maturing in 2000 was fixed at 94.64, 54 pfennigs up, to yield 8.57 per cent. It later improved a further 25 pfennigs.

■ IN JAPAN, only a late recovery prevented government bonds from reaching new lows. A rally was spurred by the improvement of the yen against the US dollar and a buy-in operation by the Ministry of Finance.

The benchmark 119th issue was yielding 7.25 per cent at the close in Tokyo, after hitting a low of 7.425 per cent earlier in the day.

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| UK GILTS | | 10.000 | 4/93 | 91-10 | +07/32 | 13.57 | 13.45 | 12.72 |
| | | 10.500 | 5/99 | 88-18 | +[illegible]/32 | 12.82 | 12.38 | 11.64 |
| | | 9.000 | 10/08 | 80-24 | +10/32 | 11.55 | 11.28 | 10.71 |
| US TREASURY * | | 8.500 | 02/00 | 99-29 | +12/32 | 8.51 | 8.66 | 8.60 |
| | | 8.500 | 02/20 | 100-18 | +[illegible]/32 | 8.45 | 8.63 | 8.64 |
| JAPAN | No 119 | 4.800 | 6/99 | 86.4329 | +0.185 | 7.25 | 7.28 | 7.05 |
| | No 2 | 6.700 | 3/07 | 89.2841 | +0.344 | 7.09 | 7.04 | 6.44 |
| GERMANY | | 7.125 | 12/99 | 90.7000 | +0.730 | 8.56 | 8.62 | 8.91 |
| FRANCE | BTAN | 9.000 | 02/95 | 94.6605 | +0.179 | 10.43 | 10.59 | 10.91 |
| | OAT | 8.500 | 03/00 | 92.3000 | +0.440 | 9.73 | 9.89 | 10.40 |
| CANADA * | | 9.250 | 12/99 | 90.6000 | +0.100 | 10.80 | 11.04 | 10.68 |
| NETHERLANDS | | 7.750 | 01/00 | 92.7100 | +0.410 | 8.88 | 9.12 | 9.20 |
| AUSTRALIA | | 12.000 | 7/99 | 92.4981 | +0.001 | 13.42 | 13.48 | [illegible] |

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

## State bank launches options for French Ecu bonds

THE FIRST options allowing long-term hedging of Ecu-denominated French government bonds were launched yesterday by Crédit Lyonnais, following previous options on equivalent French franc instruments, writes Andrew Freeman.

Put and call warrants on the 8½ per cent Ecu Treasury stock maturing in May 1997 were issued with a nominal value of Ecu500 per warrant and a maturity of just less than two years.

## Sale of 70m HK Telecom shares gets under way

By Angus Foster in Hong Kong

WARRANTS covering 70m shares in Hongkong Telecom go on offer in Hong Kong today. This is the final step in the HK$10.3bn fund-raising for the Hong Kong arm of Peking-backed investment company China International Trust and Investment Corporation (Citic) to buy 20 per cent of the telecommunications company from Cable and Wireless.

The fully underwritten loan portion of the package, similar to a project financing, was signed yesterday. Citic is raising HK$5.4bn with a 10-year loan to be repaid out of dividend income from the Hongkong Telecom stake. A further HK$2.1bn will be provided with a Citic Hongkong subordinated loan.

The remainder of the package is covered warrants on Hongkong Telecom shares. Warrants covering 589.2m shares have gone on offer in Europe, and dealings in the Hong Kong warrants are due to start on the Hong Kong Stock Exchange at the beginning of April.

Barclays Bank and Wardley, a subsidiary of the Hongkong Bank, arranged the deal, which attracted 41 banks to act as managers.

Following completion of the sale, due before the end of March, and a separate deal with the Hong Kong Government, Cable and Wireless will own 58.6 per cent of Hongkong Telecom and has undertaken not to reduce that stake within one year.

Citic also owns stakes in Cathay Pacific, the colony's airline, and recently bought into Hong Kong's second carrier Dragonair. It said yesterday the company will now consolidate.

## Crédit Lyonnais closes broking arm in Australia

By George Graham in Paris

CREDIT Lyonnais, the French state-owned bank, has closed its Australian stockbroking subsidiary, May Mellor.

Crédit Lyonnais said it had inherited May Mellor when it acquired the London broking group Alexander Laing and Cruickshank. May Mellor had more or less broken even in 1987 and 1988, but difficult stock market conditions, particularly in Australia, had led to the closure, the bank said.

Australia had 97 stockbroking firms, and the top 10 controlled 60 per cent of the market: each of the top three had a market share between 10 and 15 per cent, the bank said, leaving little room for the others.

Crédit Lyonnais will continue its other Australian banking activities, which include asset management, corporate finance and cross-border merger and acquisition activities.

## French bourse body in black

By George Graham

LA SOCIETE des Bourses Françaises (SBF), the French stock exchange organising body, returned to profit last year after losses in 1988.

The SBF said it made a net profit of FFr166.3m ($29.3m), compared with a loss of FFr510m in the last nine months of 1988. This was its first operating period after it replaced the Compagnie des Agents de Change as part of the reorganisation of the French stock exchanges.

On an operating level, the SBF returned to a profit of FFr55.1m, compared with a loss of FFr130.5m in the 1988 period. It said that operating costs had been reduced to FFr692m, or an average of FFr57.7m a month, 10 per cent less than in 1988.

Provisions totalling FFr403.4m were offset by FFr514.6m of capital gains, mostly from the sale of buildings. These provisions include the effect of bankruptcies of two brokers in 1989, which happened before a separate guarantee fund was set up.

## Access for outsiders to S Korean market

A SOUTH KOREAN trust fund that gives foreign institutional investors access to the Seoul market will be placed in Asia, Europe and the US on March 27, Reuter reports.

Co-lead manager Hyundai Securities said the 20-year fund, totalling $60m, is called Korea 1990 Trust. It will invest mainly in shares listed on the Seoul Stock Exchange.

Until 1992, foreign investors are prohibited from investing in Seoul Stock Exchange shares, but may invest indirectly through unit trusts. Korea 1990 will be listed in Hong Kong and Amsterdam.

### FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on March 22

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Alberta 8¾ 96 | 750 | †96¼ | 96¾ | +0¼ | +0¼ | 9.33 |
| Alberta 9½ 95 | 600 | 99¾ | 100¼ | 0 | +0¼ | 9.35 |
| Austria 9½ 93 | 140 | †100¼ | 101¼ | -0¼ | 0 | 9.28 |
| B.F.C.E. 8¾ 94 | 175 | †96¼ | 97 | +0¼ | +0¼ | 9.28 |
| B.F.C.E. 9¼ 95 | 150 | †99 | 99¼ | -0¼ | -0¼ | 9.40 |
| Brit. Tel. Fin. 9¾ 98 | 250 | †100 | 100¼ | +0¼ | +1 | [illegible] |
| Canada 9 96 | 1000 | 99¾ | 100¼ | +0¼ | +0¼ | 9.00 |
| C.C.C.E 9¼ 95 | 300 | 99½ | 100¼ | 0 | +0¼ | 9.31 |
| Cr.Local France 8¾ 99 | 250 | †96¼ | 96¾ | +0¼ | +1 | 9.40 |
| Credit National 7¾ 92 | 100 | 96¼ | 97 | 0 | +0¼ | 9.14 |
| Credit National 9¼ 92 | 160 | †100¼ | 100¾ | 0 | +0¼ | 9.26 |
| Denmark 8¼ 94 | 150 | †95¾ | 96¼ | +0¼ | +0¼ | 9.34 |
| E.E.C. 7 91 | 100 | 96¼ | 97¼ | +0¼ | +0¼ | 9.02 |
| E.E.C. 10 93 | 140 | †101¼ | 102 | 0 | +0¼ | 9.30 |
| E.I.B. 8¾ 97 | 150 | 94¼ | 95¼ | +0¼ | +0¼ | 9.35 |
| Eurofima 10¼ 93 | 100 | †102 | 102¼ | 0 | +0¼ | 9.28 |
| Elec. De France 9¼ 99 | 200 | †100¼ | 100¼ | 0 | +0¼ | 9.46 |
| Euro Credit Card Trt. 9 95 | 750 | 97¼ | 98 | 0 | +0¼ | 9.59 |
| Finland 9 96 | 250 | †98¼ | 98¼ | +0¼ | +0¼ | 9.31 |
| Finn.Exp.Cd. 8¾ 92 | 200 | 98¼ | 99 | -0¼ | +0¼ | 9.21 |
| Finn. Exp. Cd. 9¾ 95 | 200 | †99¾ | 100 | 0 | +0¼ | [illegible] |
| Ford Motor Credit 8 91 | 250 | †98¼ | 99¼ | 0 | 0 | 9.09 |
| G.Z.C.C. 10¼ 91 | 500 | †101¼ | 101¾ | +0¼ | +0¼ | 9.09 |
| G.M.A.C. 8¾ 94 | 500 | †96¼ | 97¼ | +0¼ | +0¼ | 9.39 |
| G.M.A.C. 9 96 | 300 | 97¼ | 97¾ | +0¼ | +1 | 9.52 |
| Gen.Mtrs.Corp. 9¼ 92 | 300 | †99¼ | 100 | +0¼ | +0¼ | 9.30 |
| Honda 9¼ 97 | 300 | [illegible] | 99¼ | 0 | +0¼ | [illegible] |
| IBM Credit Corp. 8¾ 92 | 400 | [illegible] | 99¼ | +0¼ | +0¼ | [illegible] |
| IBM Credit Corp. 8¾ 91 | 250 | †98¾ | 99¼ | 0 | 0 | 9.42 |
| IBM Credit Corp. 9 92 | [illegible] | 99¼ | 100 | 0 | +0¼ | 9.14 |
| IBM Credit Corp. 9¼ 92 | 250 | 100¼ | 100¾ | -0¼ | +0¼ | 9.19 |
| Italy 8½ 94 | 1500 | 96¼ | 97¼ | 0 | +0¼ | 9.31 |
| Italy 9¼ 95 | 1000 | 100¼ | 101 | 0 | +0¼ | 9.32 |
| Italy 9¾ 99 | 1000 | †100¾ | 101¼ | -0¼ | +0¼ | [illegible] |
| Kali C. W/W 4¾ 94 | 1000 | [illegible] | 94¼ | +2¼ | -4¼ | 6.34 |
| Japan Dev. Bank 10 96 | 200 | †102¼ | 102¾ | -0¼ | +0¼ | 9.40 |
| KFW Intl. Fin. 9 94 | 300 | 98¼ | 99¼ | +0¼ | +0¼ | 9.25 |
| L.T.C.B.of Japan 8¾ 96 | 200 | 96 | 96¼ | 0 | +0¼ | 9.56 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Next Plc 5¾ 03 £ | 11/87 | 4.3 | 96 | 97 | -0¼ | 332.24 |
| Nipp.Bt. 2¾ 03 US | 4/88 | 894 | 128¼ | 129¾ | -6¼ | -13.57 |
| Omnicom Inc. 6 1/2% 04 US | 7/89 | 28 | 101¼ | 102¼ | -0¼ | 24.33 |
| Omron Tateisi 2¾ 02 US | 4/87 | 1316 | 208¼ | 209¼ | -5 | -1.62 |
| Roots Boots 4¾ 03 £ | 1/88 | 3.5 | 106¾ | 107¼ | -0¼ | 1.02 |
| Redland 7¼ 02 £ | 11/87 | 5.4 | 103 | 104¼ | +0¼ | 1.86 |
| Saatchi&Saatchi 6¾ 03 £ | 10/89 | 4.41 | 61 | 62 | +0¼ | 103.92 |
| Silicon Graphics 8 04 US | 6/89 | 23.10 | 125 | 126 | 0 | 5.10 |
| Sumitomo Bank 3¼ 04 US | 2/89 | 3097 | 66¼ | 67¼ | 0 | 12.96 |
| Texas Inst. 2¾ 02 US | 9/87 | 62.87 | 75¼ | 76¼ | -0¼ | 70.23 |
| Utd.N'papers 8 04 £ | 10/89 | 8.77 | 126 | 127 | +0¼ | 220.11 |
| W.R. Grace 6¾ 02 US | 9/87 | 42.12 | 88¼ | 89¼ | -0¼ | 22.57 |

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

## INTERNATIONAL CAPITAL MARKETS

# Underwriters focus more on specialised issues

**By Norma Cohen**

WITH NEW issue activity in the Eurobond market becalmed by uncertainty about worldwide interest rates, underwriting has increasingly focused on specialised issues.

Yesterday saw the arrival of two asset-backed issues and a new convertible Eurobond. The convertible, a £100m issue of capital bonds for Hepworth, is intended to help finance the UK company's acquisition of French-based Saunier-Duval, the gas boiler manufacturer. J. Henry Schroder Wagg is underwriter.

The issue, classified as deeply subordinated debt – Hepworth carries it on its balance sheet as equity – bears a coupon of 11¼ per cent and is priced at par. The issue carries an unusually low conversion premium of 5 per cent, one of the lowest of any UK convertible issued for some time. The bonds are convertible at a price of 286p against Wednesday's close of 273p.

Although such a low conversion premium would usually encourage early conversion, the bonds' yield of 4¼ per cent over the shares' dividend yield is likely to induce investors to hold their paper longer. The issue is being sold on a "clawback" basis, by which shareholders as of March 15 have the first right to purchase securities.

### INTERNATIONAL BONDS

Any bonds left unsold thereafter will be sold to the public. There is no grey market in the securities, and dealings will begin on April 11.

Convertibles dealers said the low conversion premium and high current coupon are likely to make the issue attractive.

Also launched yesterday was a $70m 11-year floating rate note backed by junk bonds issued via Morgan Stanley International. The securities are callable after one year and have a minimum redemption feature of 25 per cent in each of the last four years. The issuing vehicle is YCM Investments NV and the securities pay ¼ over six-month London interbank offered rate (Libor). At an issue price of 99.35, the bonds pay 35.2 basis points over Libor to the call date. Morgan Stanley declined to describe the securities backing its offering, but noted that there is an AAA credit rating provided by Financial Guaranty Insurance Co.

Separately, TamTrade, a Cayman Islands-based subsidiary of Mexican steelmaker Tubos de Acero de Mexico, issued a $30m two-year bond via Bankers Trust International. The bonds are the latest of such bonds by Mexican entities that are designed to take advantage of tax concessions and provide currency arbitrage for liabilities paid in pesos.

The bonds are secured by a $30m deposit with Bancomer SA London and carry a coupon of 12 per cent. The issue is priced to yield a minimum of 14 per cent and bonds have largely been placed at 14½ per cent.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| **ECUs** | | | | | | |
| Oest. Kontrollbank(a)◆ | 150 | 10¼ | 101.70 | 1995 | 1⅞/1¼ | Banque Paribas |
| **STERLING** | | | | | | |
| Hepworth Cap.Fin.(g)§◆ | 100 | 11¼ | 100 | 2005 | 2½ | J.H. Schroder Wagg |
| **US DOLLARS** | | | | | | |
| YCM Investments(e)‡◆ | 70 | ¼ | 99.35 | 2001 | 30bp | Morgan Stanley Int. |
| Tamtrade Ltd.◆ | 30 | 12 | (f) | 1992 | n/a | Bankers Trust Int. |
| **SWISS FRANCS** | | | | | | |
| Inter-American Dev. Bank(a)◆ | 125 | 7⅛ | 101½ | 2002 | 2¼ | UBS |
| Gen.Electric Cap.Corp.(a)★★◆ | 115 | 7½ | 100½ | 1995 | 1⅜ | SBC |
| **YEN** | | | | | | |
| ASLK-CGER-IFICO(b)◆ | 2bn | 11½ | 100⅞ | 1991 | ⅞/½ | Nippon Credit Int. |
| Swedbank(b)(c)◆ | 2bn | (c) | 101⅛ | 1992 | 1⅛/¼ | LTCB Int. |
| Swedbank(b)(d)◆ | 1bn | (d) | 101⅛ | 1992 | 1⅛/¼ | LTCB Int. |

★★Private placement. §Convertible. ‡Floating rate notes. ◆Final terms. a) Non-callable. b) Redemption linked to Nikkei stock index. c) Coupon pays ⅛ over 3-month Libor, then 8½%. d) Coupon pays ⅛ over 3-month Libor, then 10%. e) ¼ over 6-month Libor. Call at par from March 1991. Average life 9½ years. f) Priced to yield between 14% and 14½%. g) Conversion price £2.86. Call after three years at 102. Convertible capital bond.

# Nomura withdraws $100m warrant fund

NOMURA Securities International has withdrawn its $100m equity warrant fund, launched on March 15, because it failed to draw enough subscriptions, writes Norma Cohen.

Prices of equity warrants in the secondary market have been plunging since the start of the year in line with the 25 per cent drop on the Tokyo Stock Exchange. Nomura said subscriptions were "well below" the level sought and that the firm had decided to withdraw the fund completely.

Japanese companies whose shares are traded on the Tokyo Stock Exchange have been the primary issuers in this market. Because the securities are highly geared, the warrant falls more sharply than the underlying stock, and rises more sharply when the market is reversed.

Losses in the secondary market in recent weeks have seen the prices of some warrants cut in half. The four large securities houses, including Nomura, have called a moratorium on new issue launches.

However, several other warrant funds remain active.

# Questions weigh heavily on James Capel

**Richard Waters** on the outlook for the UK broker after the loss of its chief executive

Two things have raised question marks over the future of James Capel, the UK's leading research house. These are the declared intention of its parent, Hongkong and Shanghai Banking Corporation, to get closer to the UK's Midland Bank, possibly resulting in a merger; and two years of severe losses at Capel that would try the patience of the most understanding of owners.

The doubt was heightened this week by the abrupt departure of Mr Peter Quinnen, Capel's chairman and chief executive. He was one of the handful of people who negotiated Capel's sale to Hongkong Bank in the run-up to London's Big Bang, which allowed banks and others into the UK stock market. Mr Quinnen tried more recently to renegotiate Capel independence, but was not allowed his way.

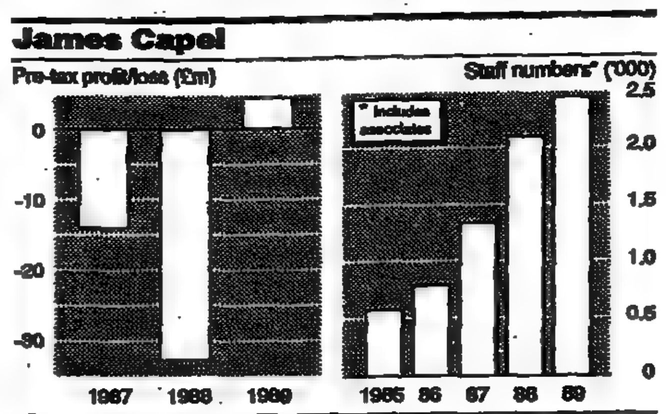
The departure of Mr Quinnen, a strong-willed 44-year-old, has shaken Capel staff deeply. One of its highly-ranked team of analysts, who declined to be named, said: "It is obviously unsettling. The bank says it is committed to us, but there is likely to be a lot of speculation around now, even more than before."

This uncertainty comes at an important time for Capel. Its position as the UK's pre-eminent research house is under threat, throwing doubts on the strategy it adopted at the time of Big Bang. And, while it has developed rapidly overseas, its aim of becoming a global investment house is some way from being achieved.

But parenthood and the capital available to Capel have been the greatest uncertainties. Viewed in one way, the deal with Hongkong Bank was a brilliant coup, giving the firm a parent known for not interfering in the operations of its subsidiaries. Even after the 1987 stock market crash, when other brokers found their bank parents moving to take greater control, Capel maintained its autonomy.

However, as Capel ran up losses of £14m ($22m) in 1987 and £32m in 1988, relations between the two sides deteriorated. Hongkong Bank's involvement in the UK securities industry, already difficult to justify on strategic grounds, was getting difficult to justify on investment grounds. The bank had no ambitions to be a global investment bank, and, being middle-market, could hardly argue that a stake in the securities industry would help to maintain its relationships with clients as they turned less to banks and more to the markets to raise cash.

The question over the bank's commitment to Capel has been strengthened by its policy for funding its subsidiary. Capel is said to be highly-geared, funded largely by interest-bearing subordinated debt. During difficult years – and when it has been attempting to expand outside the UK – this draws away cash that might have been re-invested in the firm. Yet the bank has refused to countenance a sale of Capel, and this week assured the broker's staff of its commitment.




If Capel has been uncertain about its parent, it is even less confident about a possible future owner: Midland Bank. Should a merger between Midland and Hongkong Bank emerge from the current discussions between the two sides, Capel, being London-based, would fall naturally under the existing Midland management. The signs are that this would not be a happy event. Midland, having shed its own equities business, is thought to have little interest in getting back into the market.

The new Capel management, meanwhile, says that whatever happens, it has been assured of operational autonomy, and will not face a shotgun wedding with Midland's investment banking arm, Midland Montagu.

The new management team has plenty to keep it occupied while this saga unfolds. One of its most important jobs will be to maintain Capel's research leadership in the face of a strong challenge. Days before his departure Mr Quinnen said that losing the number one slot would be a severe blow to the firm. Though it relies on the UK equity business for less than a quarter of its income, the London research strength is what gives the Capel name its pulling power.

Despite its strong market position, however – it handles over 9 per cent of customer business – Capel has only scratched a living in UK equities in the past three years. And with trading volumes unlikely to rise substantially, it seems improbable that the firm will make money from its dominance for some time.

Capel does not stay out of market-making on principle: it reviews its position frequently, but has so far concluded that the costs of building and maintaining a 60-strong team of market-makers would outweigh the likely extra income.

Meanwhile, Capel has been expanding rapidly overseas. Less than half its income is earned in the UK (of which less than half is earned from UK equities).

Last year, Capel's investments improved markedly. In Tokyo, where it was recently granted a seat on the Stock Exchange, a loss of £7m-£8m in 1988 was turned into a small profit. It is probably the largest broker in Hong Kong and has 8 per cent of the Singapore market following the acquisition of a local broker in 1988.

The continental European position also has its strengths, although with significant weaker patches. In Paris, where it bought a small local broker, Capel is now among the top five broking firms. In Amsterdam it claims 4 per cent of the Dutch market, making it the second biggest excluding the three local banks which dominate investment.

The gaps include West Germany, where the securities business is dominated by the universal banks. Capel has yet to decide on its strategy for entering this market, although like others it makes markets in German stocks from London.

A further weakness is New York, although the firm was recently rated highly among institutions selling international equities to US investors. Yet if, as the departing Mr Quinnen professed, the firm's strategy involves a significant presence in all the major markets where its clients are active, it cannot afford to ignore the US for long.

Despite these gaps, Capel after Quinnen is one of the strongest names in the securities business. The responsibility for maintaining that position now falls on other shoulders.

# Kidder Peabody buys 25% of Spanish investment house

**By Peter Bruce in Madrid and David Lascelles in London**

KIDDER Peabody, the US investment bank, is extending its European links by buying 25 per cent of Benito y Monjardin, one of Spain's most successful new investment houses. The deal, worth more than $20m, is among the biggest foreign investments of its kind in Spain.

Kidder will sell part of the stake on to General Electric Capital Corporation, the finance arm of its parent company GE, and to SOPAF, a Milan financial house in which Kidder also has a stake.

Mr Michael Carpenter, Kidder's chief executive, said his firm had been considering a partnership with a Spanish institution for more than a year. "We are trying to build a strategic alliance that works," he said.

"If you take a 10-year horizon, Spain has to be one of the real growth economies in Europe."

The move was part of Kidder's selective approach to the European market, where it intended to build up a series of strategic alliances. Kidder also has a relationship with Matuschka, the German investment firm.

The deal will inject much-needed new capital into B&M, which, since the Spanish stock market reforms last August, has been one of only three independent stockbrokers to hold a place in the top 10 stock market dealers nationwide.

Mr Juan Monjardin, B&M's chairman, said the deal would "strengthen our financial muscle in Spain." Some 57 brokers registered after Spain's bourse reforms last year. However as the market has subsided, many analysts are predicting a rush of mergers.

B&M has extended its activities into asset management, the money markets and merchant banking, which contributed, along with broking, in roughly equal amounts to its Pta1.1bn pre-tax profits last year. Kidder, said Mr Carpenter, was particularly keen to enter Spain's active cross-border mergers and acquisitions market.

Mr Carpenter, who was moved over from GE to run Kidder just over a year ago, said he believed that the stern measures he took last year to improve the firm's "drifting" performance were now bearing fruit. Costs had been reduced and the structure improved, and the relationship with the parent had been strengthened.

## LONDON MARKET STATISTICS

### FT-ACTUARIES SHARE INDICES

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| EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Thursday March 22 1990 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act. at (25%) | Est. P/E Ratio (Net) | xd adj. 1990 to date | Wed Mar 21 Index No. | Tue Mar 20 Index No. | Mon Mar 19 Index No. | Year ago (approx) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 CAPITAL GOODS (202) | 859.33 | -0.1 | 13.49 | 5.14 | 9.04 | 3.19 | 860.25 | 864.54 | 857.90 | 943.73 |
| 2 Building Materials (27) | 1048.02 | +0.5 | 15.04 | 5.43 | 8.28 | 0.89 | 1042.99 | 1046.89 | 1036.41 | 1192.53 |
| 3 Contracting, Construction (37) | 1411.68 | +0.1 | 17.39 | 5.66 | 7.51 | 6.04 | 1410.05 | 1419.05 | 1405.97 | 1766.08 |
| 4 Electricals (10) | 2457.74 | -0.6 | 11.42 | 5.37 | 10.82 | 0.75 | 2471.94 | 2496.84 | 2490.44 | 2764.18 |
| 5 Electronics (29) | 1816.78 | -0.1 | 9.97 | 4.07 | 13.00 | 16.17 | 1819.13 | 1829.19 | 1819.71 | 2097.11 |
| 6 Engineering-Aerospace (8) | 435.88 | +0.5 | 15.36 | 5.30 | 8.01 | 0.04 | 433.59 | 435.61 | 431.53 | 0.00 |
| 7 Engineering-General (44) | 461.85 | +0.2 | 12.24 | 5.32 | 9.85 | 2.83 | 461.10 | 463.87 | 463.08 | 0.00 |
| 8 Metals and Metal Forming (6) | 491.16 | -0.2 | 23.96 | 6.34 | 4.71 | 0.00 | 492.15 | 490.40 | 482.04 | 536.20 |
| 9 Motors (16) | 354.37 | -0.3 | 14.22 | 6.28 | 8.33 | 3.10 | 355.32 | 357.39 | 353.88 | 308.69 |
| 10 Other Industrial Materials (25) | 1581.04 | -0.7 | 11.33 | 4.81 | 10.28 | 3.12 | 1593.02 | 1601.80 | 1589.66 | 1586.94 |
| 21 CONSUMER GROUP (176) | 1221.96 | +0.5 | 9.56 | 4.00 | 13.07 | 3.97 | 1215.60 | 1220.80 | 1212.76 | 1161.57 |
| 22 Brewers and Distillers (22) | 1434.56 | +1.5 | 9.73 | 3.84 | 12.68 | 6.57 | 1412.98 | 1398.07 | 1390.54 | 1268.41 |
| 25 Food Manufacturing (20) | 1064.58 | +0.5 | 10.45 | 4.42 | 11.88 | 4.74 | 1059.07 | 1064.30 | 1061.78 | 1018.85 |
| 26 Food Retailing (16) | 2241.60 | +1.2 | 9.04 | 3.39 | 14.36 | 7.09 | 2215.01 | 2235.89 | 2262.48 | 1975.43 |
| 27 Health and Household (13) | 2507.11 | -0.4 | 7.22 | 2.77 | 16.55 | 2.48 | 2510.05 | 2529.09 | 2470.78 | 2134.61 |
| 29 Leisure (31) | 1444.11 | +0.6 | 9.79 | 4.20 | 12.61 | 6.20 | 1435.92 | 1454.29 | 1441.18 | 1614.85 |
| 31 Packaging & Paper (13) | 559.13 | -0.3 | 12.57 | 5.61 | 10.05 | 1.44 | 560.54 | 563.42 | 561.10 | 583.28 |
| 32 Publishing & Printing (16) | 3195.84 | +0.5 | 10.06 | 5.48 | 12.72 | 21.87 | 3180.78 | 3212.76 | 3205.09 | 3452.71 |
| 34 Stores (33) | 747.68 | +0.5 | 11.61 | 5.01 | 11.21 | 1.78 | 744.13 | 750.73 | 750.15 | 763.60 |
| 35 Textiles (12) | 496.30 | -0.4 | 13.13 | 7.06 | 9.59 | 0.37 | 498.34 | 504.35 | 505.25 | 513.33 |
| 40 OTHER GROUPS (104) | 1153.90 | +0.3 | 10.81 | 4.91 | 11.06 | 4.44 | 1150.15 | 1153.32 | 1142.34 | 1057.52 |
| 41 Agencies (17) | 1567.00 | -0.5 | 5.75 | 2.45 | 21.43 | 9.20 | 1574.33 | 1570.67 | 1553.40 | 1238.62 |
| 42 Chemicals (23) | 1222.32 | +0.4 | 11.96 | 5.38 | 9.74 | 20.57 | 1217.53 | 1221.75 | 1206.43 | 1213.07 |
| 43 Conglomerates (13) | 1585.88 | ....... | 10.26 | 6.18 | 11.48 | 5.64 | 1586.11 | 1587.58 | 1576.27 | 1493.38 |
| 44 Transport (13) | 2224.40 | -0.5 | 11.00 | 4.34 | 11.57 | 2.88 | 2235.37 | 2238.03 | 2216.84 | 2339.99 |
| 46 Telephone Networks (2) | 1168.96 | +1.5 | 10.86 | 4.38 | 11.97 | 0.00 | 1151.30 | 1159.26 | 1143.06 | 1101.65 |
| 47 Water (10) | 1965.69 | +0.4 | 17.73 | 6.89 | 6.25 | 0.00 | 1957.93 | 1953.30 | 1948.36 | 0.00 |
| 48 Miscellaneous (26) | 1861.84 | -0.2 | 9.76 | 4.44 | 11.57 | 1.16 | 1864.68 | 1871.48 | 1861.04 | 1473.23 |
| 49 INDUSTRIAL GROUP (482) | 1124.04 | +0.3 | 10.93 | 4.57 | 11.19 | 4.00 | 1120.63 | 1125.07 | 1116.30 | 1097.94 |
| 51 Oil & Gas (18) | 2324.32 | +0.2 | 10.57 | 5.18 | 12.47 | 32.88 | 2319.97 | 2329.79 | 2330.17 | 1987.04 |
| 59 500 SHARE INDEX (500) | 1223.87 | +0.3 | 10.88 | 4.66 | 11.36 | 6.22 | 1220.36 | 1225.25 | 1217.10 | 1173.38 |
| 61 FINANCIAL GROUP (114) | 791.13 | +0.5 | – | 5.62 | – | 9.98 | 787.14 | 792.33 | 780.38 | 748.40 |
| 62 Banks (9) | 865.31 | -0.1 | 19.44 | 6.17 | 6.73 | 22.40 | 866.50 | 870.28 | 847.55 | 729.12 |
| 65 Insurance (Life) (7) | 1291.52 | +0.8 | – | 5.33 | – | 0.00 | 1281.47 | 1297.96 | 1281.13 | 1121.53 |
| 66 Insurance (Composite) (7) | 645.62 | +0.6 | – | 6.15 | – | 4.25 | 641.52 | 643.39 | 638.14 | 596.37 |
| 67 Insurance (Brokers) (6) | 1016.19 | -0.1 | 7.31 | 6.20 | 18.17 | 15.51 | 1017.49 | 1029.13 | 1036.36 | 969.77 |
| 68 Merchant Banks (8) | 459.32 | -0.6 | – | 4.14 | – | 0.83 | 461.93 | 465.22 | 466.47 | 331.84 |
| 69 Property (49) | 1085.20 | +2.0 | 8.37 | 3.99 | 15.13 | 1.56 | 1063.94 | 1076.15 | 1065.86 | 1329.34 |
| 70 Other Financial (28) | 319.22 | +0.3 | 13.62 | 6.80 | 9.67 | 2.37 | 318.24 | 318.85 | 317.02 | 373.82 |
| 71 Investment Trusts (68) | 1161.07 | -0.4 | – | 3.26 | – | 6.56 | 1165.93 | 1170.40 | 1160.64 | 1081.26 |
| 91 Overseas Traders (5) | 1380.53 | ....... | 9.36 | 6.63 | 12.88 | 30.79 | 1381.31 | 1387.30 | 1378.24 | 1394.35 |
| 99 ALL-SHARE INDEX (687) | 1118.90 | +0.3 | – | 4.77 | – | 7.10 | 1115.60 | 1120.49 | 1111.57 | 1068.68 |

| | Index No. | Day's Change | Day's High (a) | Day's Low (b) | Mar 21 | Mar 20 | Mar 19 | Mar 16 | Mar 15 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX‡ | 2258.9 | +8.6 | 2267.8 | 2240.7 | 2250.3 | 2259.7 | 2238.8 | 2263.9 | 2263.9 | 2057.0 |

### FIXED INTEREST

| PRICE INDICES | Thu Mar 22 | Day's change % | Wed Mar 21 | xd adj. today | xd adj. 1990 to date |
|---|---|---|---|---|---|
| **British Government** | | | | | |
| 1 Up to 5 years | 112.14 | +0.18 | 111.94 | – | 3.41 |
| 2 5-15 years | 116.79 | +0.30 | 116.43 | – | 2.70 |
| 3 Over 15 years | 118.69 | +0.48 | 118.13 | – | 4.16 |
| 4 Irredeemables | 137.17 | -0.03 | 137.21 | – | 1.51 |
| 5 All stocks | 117.04 | +0.28 | 116.72 | – | 3.18 |
| **Index-Linked** | | | | | |
| 6 Up to 5 years | 140.12 | +0.18 | 139.87 | – | 0.94 |
| 7 Over 5 years | 131.38 | +0.19 | 131.14 | – | 1.05 |
| 8 All stocks | 131.93 | +0.18 | 131.68 | – | 1.04 |
| 9 Debentures & Loans | 94.78 | -0.17 | 94.94 | – | 2.35 |
| 10 Preference | 75.77 | -0.32 | 76.01 | – | 1.49 |

| AVERAGE GROSS REDEMPTION YIELDS | | Thu Mar 22 | Wed Mar 21 | Year ago (approx.) |
|---|---|---|---|---|
| **British Government** | | | | |
| 1 Low | 5 years | 11.80 | 11.81 | 9.43 |
| 2 Coupons | 15 years | 11.46 | 11.49 | 9.01 |
| 3 | 25 years | 11.34 | 11.37 | 8.85 |
| 4 Medium | 5 years | 13.09 | 13.16 | 10.43 |
| 5 Coupons | 15 years | 11.91 | 11.96 | 9.48 |
| 6 | 25 years | 11.46 | 11.50 | 9.04 |
| 7 High | 5 years | 13.20 | 13.27 | 10.55 |
| 8 Coupons | 15 years | 12.21 | 12.25 | 9.70 |
| 9 | 25 years | 11.71 | 11.75 | 9.23 |
| 10 Irredeemables | | 11.35 | 11.35 | 8.80 |
| **Index-Linked** | | | | |
| 11 Inflation rate 5% | Up to 5yrs. | 4.69 | 4.75 | 3.49 |
| 12 Inflation rate 5% | Over 5 yrs. | 4.17 | 4.18 | 3.50 |
| 13 Inflation rate 10% | Up to 5 yrs. | 3.82 | 3.87 | 2.56 |
| 14 Inflation rate 10% | Over 5 yrs. | 4.01 | 4.02 | 3.32 |
| 15 Debs & | 5 years | 15.98 | 15.98 | 12.14 |
| 16 Loans | 15 years | 14.41 | 14.46 | 11.40 |
| 17 | 25 years | 13.70 | 13.67 | 10.80 |
| 18 Preference | | 12.17 | 12.13 | 10.05 |

‡Opening index 2241.0; 10 am 2252.9; 11 am 2258.6; Noon 2261.3; 1 pm 2262.7; 2 pm 2262.8; 3 pm 2267.7; 3.30 pm 2264.4; 4 pm 2259.5 (a) 2.57pm (b) 9.04am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 77 | 4 | 15 |
| Corporations, Dominion and Foreign Bonds | 7 | 4 | 15 |
| Industrials | 303 | 400 | 887 |
| Financial and Properties | 120 | 180 | 407 |
| Oils | 22 | 26 | 43 |
| Plantations | 1 | 0 | 9 |
| Mines | 18 | 64 | 76 |
| Others | 50 | 107 | 108 |
| Totals | 598 | 785 | 1,560 |

### LONDON RECENT ISSUES

**EQUITIES**

[illegible]

**FIXED INTEREST STOCKS**

[illegible]

**RIGHTS OFFERS**

[illegible]

### TRADITIONAL OPTIONS

- First Dealings March 19
- Last Dealings March 30
- Last Declarations June 21
- For settlement July 2

For rate indications see end of London Share Service

Calls in Arlen Pet., Amber Day, Chloride, Rosehaugh, Next, Tesco Res. and H. Young. Puts in Aberdeen Pet., Conroy Pet. and Stanley Miller. Puts and calls in Astra Hldgs., Chloride, Rosehaugh and Tullow Oil.

### LONDON TRADED OPTIONS

TRADING in the FT-SE 100 index futures and options picked up yesterday on the uncertainties in global equity markets after Tokyo's 983-point fall on the Nikkei index.

In the options market, the FT-SE pitch saw busy trade in April 2,250 puts, where 1,000 were bought. A closing trade, involving 1,000 March 2,300 calls, was also noted. Total turnover in FT-SE options stood at 8,063, of which 3,084 were calls and 4,999 were puts. The March 2,300 call series was the busiest, trading 1,385 lots.

Aggressive buying of FT-SE futures market sent the March contract to a premium of 13 points, which dragged the cash index into positive territory. Traders noted one large buyer of 1,500 March contracts, which suggested a bullish short-term view of the stock market. March closed at 2,264, up 17 points on the day, and at premium of 5 points over the cash index. Total futures turnover in FT-SE March and June contracts stood at 8,053 lots, equivalent to £455m.

Among the stock options, buying of Cable and Wireless calls supported the share price. One investor bought 450 April 550 calls, while another crossed the April 550 straddle. Cable and Wireless traded a total of 2,384 contracts, equivalent to 2.3m shares, of which 1,440 were calls and 944 were puts. The April 550 calls were busiest, trading 1,250. Cable and Wireless equities closed 1p better at 538p having been 5p higher at one stage.

Rolls-Royce was the second busiest stock option, as one investor sold 500 June 180 calls at 13p. A total of 1,880 lots traded, of which 1,466 were calls and 414 were puts.

Trusthouse Forte again featured as 1,300 June 240 puts were crossed at 4½p. A total of 1,799 options traded, which was made up of 1,545 puts and 245 calls. Elsewhere, 700 Sears June 100 calls were bought at 6½p; 700 British Steel 145 calls were bought at 4½p; and 500 Cadbury Schweppes August 330 calls were sold at 25p.

[illegible]

## UK COMPANY NEWS

# Shares fall 14% after interest holds Cookson back to advance of 3%

By Andrew Hill

COOKSON GROUP, the specialist industrial materials company, is to cut back on capital expenditure and acquisitions this year, after a combination of high borrowings and rising interest rates hit profits in 1989.

The company's shares slipped nearly 14 per cent yesterday – from 236p to 203p – when it announced an advance of just 3 per cent in pre-tax profits to £183m (£178m).

Earnings per share came down from 31.7p to 31.2p and the City took a gloomy view of the figures, especially as favourable exchange rates helped boost the 1989 figure by about £7m.

But Mr Michael Henderson, chief executive, said analysts' profit forecasts had been unduly optimistic. He did not feel they had taken into account the evidence of higher financing costs in Cookson's interim figures, released in September. The group's shares have declined sharply since last August, falling from a peak of 380p.

The Cookson board recommended a final dividend of 6p, making 9p (7.75p) for the year.

Operating profits rose from £198.1m to £236.2m, of which almost exactly half came from related companies, chiefly Cookson's half-share in Tioxide Group, the titanium dioxide manufacturer it owns with Imperial Chemical Industries.

But interest payable more than doubled during 1989 to £53.2m (£20.1m) as Cookson's borrowings rose by some £230m to more than £500m, compared with shareholders' funds of about £550m. Interest cover was down from nearly nine times pre-interest profits in 1988, to just under 4.5 times last year.

Mr Henderson said £20m of the increase in interest charges could be blamed on higher borrowings, but more than £10m was due to the rise in interest rates.

He said the group had decided it could justify its heavy programme of acquisitions and capital expenditure in 1989 in spite of the more difficult economic climate. "It's been the year for laying down some strong foundations for the business," he said.

Altogether Cookson incurred capital expenditure of more than £100m in 1989, against £64m the previous year, and more than doubled the £135m it spent on acquisitions in 1988.

The expenditure coincided with a slowdown in consumer spending in the UK which affected the market for white goods using Cookson components, such as refrigerators, and hit the group's metals and chemicals division. The division also suffered from fluctuating aluminium prices during the year. Profits were cut to £34.6m (£38.6m) on sales of £502m (£408m).

Mr Henderson said: "It has definitely been a year of mixed fortunes: there have been some record results and some less good performances."

The ceramics and plastics division made £56.8m (£42.4m) on sales of £352m (£257m); Cookson America contributed £52.7m (£39.2m) on turnover of £778m (£601m) and the company's titanium dioxide interests made £92.1m (£77.9m) on turnover of £347m (£292m).

See Lex

Michael Henderson: profit forecasts had been unduly optimistic

# In the ranks of the better paid

By Steven Butler

SIR PETER Walters, who retired as British Petroleum chairman last week, has plenty of justification for the broad grin which graces the second page of the BP annual report published today.

Sir Peter last year joined the ranks of Britain's best paid business executives with a 38 per cent pay increase to £706,728.

BP's replacement cost profit, by contrast, actually fell by 5 per cent to £1.36bn. On a historical cost basis – the official figures which include stock holding gains – the increase looks more justified. Profits rose by 44 per cent to £1.74bn.

Sir Peter earned less than half the £1.53m paid to Lord Hanson, chairman of Hanson, and far less than Mr Tiny Rowland, who was paid £1.32m as chief executive of Lonrho.

By international – meaning US – standards, Sir Peter's pay is not exceptionally high for a company of BP's size.

Sir Peter's increase, from £514,558, accounts for a good chunk of the rise in pay to all the directors, which were up by 22 per cent to £3.11m.

Mr Robert Horton, BP's new chairman, says he doesn't know how much money he'll be making at the end of the year. His basic salary is thought to be close to £400,000, but like Sir Peter, about half of the final pay will be made up of bonuses, assuming BP is happy with his performance.

BP also appears to be taking good care of its retired directors. Pension-related payments to directors and former directors took an even bigger leap of 67 per cent to £2.53m.

# Mount Charlotte advances to £47.6m after absorbing Thistle

By Andrew Bolger

MOUNT CHARLOTTE Investments, Britain's second biggest hotels group which in November paid £645m for Thistle Hotels, yesterday announced a 15 per cent increase in pre-tax profits to £47.6m in the year to December.

Mr Robert Peel, managing director, said the previously announced £200m disposal programme was proceeding well. A total of £62m had been realised to date from the sale of the Gosforth Park Hotel, Newcastle, the short lease of the Cadogan Hotel in London and the group's stake in Norfolk Capital Group.

Sales increased by 25.7 per cent to £155.5m and earnings per share rose 15.9 per cent to 5.7p. The dividend was 1.29p, an increase of 16.7 per cent.

Mount Charlotte said the results were very satisfactory against a background of sharply higher interest costs. In spite of the difficult economic climate and a weaker foreign tourist market in the peak summer season, the group had achieved 2 per cent growth in occupancy and a 10 per cent increase in the average room rate.

The group had established a unique portfolio of properties and as the largest hotelier in the key London market it was well placed to benefit from the increasing demand for rooms and the continuing increase in capital values.

Mount Charlotte said that notwithstanding a generally pessimistic attitude in equity markets and an unprecedented level of properties for sale, it had received a high level of offers for hotels in its planned disposal programme.

**COMMENT**

Analysts remain unhappy about the sedate pace of the group's disposals programme, although Mr Peel insists that he is taking his time to ensure premium prices for the properties he does sell. Uncertainty about the proposed sales has led to a variety of forecasts for the current year, with the middle of a wide range being pre-tax profits of £63m and earnings of 6.1p. At yesterday's close of 59p, down 2p, that puts the shares on a multiple of about 10 – roughly average for the sector. Any downside is limited by the net asset value of £1.20p per share and presence of Sir Ron Brierley, the New Zealand businessman who now owns 27 per cent of the group. The integration benefits of the Thistle hotels should start coming through this year, but there seems little scope for short-term advance in the share price until more of the planned disposals are turned into hard cash.

# Spring Ram bucks trend with 45% rise to £24.1m

By David Owen

SPRING RAM, the bathroom and kitchen business, continued to belie dreadful housing market conditions yesterday by reporting a 45 per cent advance in pre-tax profits for the 53 weeks to January 5.

However, the Yorkshire-based group's problem-free reputation was tarnished somewhat by a £1.18m extraordinary charge relating to the termination of a bathroom distribution joint venture.

"We got our feet wet slightly", said Mr Bill Rooney, chairman, relating how the company had set up a venture with an automotive distributor "who knew nothing about bathrooms."

"It is a one-off, special, contained cost", he added. The shares dropped 2p to 109p, repeating Wednesday's 2p loss.

The company, which was started from scratch in a roofless blanket mill ten years ago, also announced a capital investment programme involving the expenditure of £85m over the next three years.

The programme would provide an additional 1.5m sq ft of factory space split between five locations. The group already makes one-third of all British baths and 15 per cent of kitchens.

In all, pre-tax profits rose to £24.1m from £16.6m in the year to December 31 1988. Turnover was up 42 per cent at £121m (£85.2m), with the split between bathrooms and kitchens approximately 50:50.

According to Mr Rooney, all the company's core businesses significantly increased their market shares at a time when most competitors experienced "quite severe setbacks."

Gearing remains nil, and the group has liquid funds in excess of £15m.

Earnings per share – hit by a 114 per cent increase in taxation to £8.63m – rose 25 per cent to 8.6p (6.9p). A final dividend of 0.28p (0.23p) was recommended making a total of 0.4p (0.33p).

# T & N and Japanese in joint venture

By John Griffiths

T & N, the UK-headquartered vehicle components and materials group, is forming a joint venture with Japan Brake Industrial Company (JBI) to produce car brake components in the US.

It will lead to the creation of a new company called Nuturn Automotive Corporation, to be based at Nashville, Tennessee, where T & N already has a subsidiary, Nuturn Corporation.

It is intended to supply brake pads and linings to both Japanese car-making 'transplants' in the US and to indigenous US car manufacturers.

The new company, in which T & N will have majority ownership, will be formed from Nuturn's automotive products division, which will undergo a $13.4m (£8.3m) expansion programme at its Nashville facilities.

As part of the agreement, T & N will also take a "significant" equity stake in JBI, which is a subsidiary of Hitachi Chemical Company.

The venture aims to carve a larger slice of the North American market through increased production capacity and a combined research and development effort, which will also involve Ferodo, T & N's European-based friction materials subsidiary.

T & N yesterday would give no details of the respective shareholdings in the joint venture, which is the third to be set up by T & N this year.

It reflects, according to T & N chairman Mr Colin Hope, "a long term strategy to continually strengthen T & N's position as a materials technology company, designing and manufacturing complex products for key global market segments".

# Unilever pays £81.7m for Mexican companies

By Richard Johns in Mexico City and Clay Harris in London

UNILEVER, the Anglo-Dutch food and consumer products group, is to pay an estimated 350bn pesos (£81.7m) for seven Mexican companies with combined annual turnover of £85m. Mr John Mueller, president of Unilever de Mexico, said the purchase from Valores Industriales (Grupo Visa) should help boost its sales in the country by over 25 per cent this year to between US$750m (£470m) and $800m.

His estimate takes into account Unilever's recent purchase of an edible oil refinery and a pasta manufacturing plant from Industrias Conasupo, the state-owned food processing and distribution concern, for £43.9m.

The lines being acquired from Grupo Visa include Clemente Jacques brand tomato-based sauces, chili products, marmalade, vinegars and processed foods, Mafer salted snacks, La Caperucita cheeses and an animal feeds business.

In the last sector, the acquisition may enable Unilever to overtake market leadership from Purina SA, the subsidiary of St Louis-based Ralston Purina.

The core of Unilever's business in Mexico has been Anderson Clayton, purchased in 1986. It makes margarine, shortening, flour mixes, packaged desserts and tomato-based sauces.

# Really Useful plan foiled

By Andrew Hill

Mr Robert Holmes à Court, the Australian financier, has attained his target of a 6 per cent stake in the Really Useful Group, which owns copyrights to Mr Andrew Lloyd Webber's most recent musicals.

The holding should be sufficient to prevent the composer from mopping up outstanding minority holdings in RUG, which he wants to take private with a £77.4m offer.

Mr Holmes à Court is believed to have raised his stake with purchases including a line of 400,000 shares bought from Prudential.

# Clyde almost doubles to £4.1m after provision

By Steven Butler

CLYDE PETROLEUM, the UK independent oil company, almost doubled pre-tax profits from £4.05m to £7.86m in 1989. It said it was poised for its most active exploration year in its 15-year history.

Operating profit rose sharply from £1.7m to £7.62m, while after tax earnings climbed from £3.39m to £5.09m. Cash flow from operations, which plays a critical role in the company's ability to finance exploration, rose from £21.2m to £31.3m. The 1988 figures have been restated to reflect the acquisition of oil assets from DSM, the Dutch chemicals group.

Clyde also lifted its final dividend to a proposed 0.65p for a total of 1.15p (1p). Earnings per share rose to 1.6p (1.5p).

The pre-tax profits were affected by a £1.8m provision for a dispute with the Government over claims for prior year royalties and interest for the Buchan field. An extraordinary gain of £8.26m (£1.16m) came from the sale of shares in Goal Petroleum.

Mr Colin Phipps, chairman, said Clyde planned to participate in 50 exploration and appraisal wells, including 25 exploration wells in the UK continental shelf. This compares to 41 wells last year, 10 of which were North Sea exploration wells.

Clyde last year took a 90 per cent interest in an exploration block in Burma. Mr Phipps said Clyde would continue to take on higher exposure to exploration risk internationally.

Oil and natural gas liquid production for the year was down from 13,131 barrels a day to 10,913 b/d because of a three-month shut-down at the Buchan field. However, production in the second half rose to 13,700 b/d and could be boosted close to 18,000 b/d when production at the Wytch Farm field increases in June.

Gas production rose last year, due to the DSM acquisition, leading to a rise in production on an oil equivalent basis from 15,224 to 18,755 b/d.

Reserve increases due to exploration were offset by a decline in reserve estimates at Wytch Farm and at the Gryphon field.

Mr Phipps said year-end gearing at just 5 per cent left the company in a position to make a substantial acquisition should the right opportunity arise.

**COMMENT**

Clyde often looks like the plodding, conservative independent oil company, if this is not a contradiction in terms. Yet plodding consistency has stood it, and its shareholders, well. Its rising production profile will not peak and plunge as precipitously as its rivals, and it now has a solid base to move to a higher risk exploration profile overseas. The shares do not look about to rocket, but there is no reason to think Clyde's solid record of growth, forgiving a few blips in oil prices, is coming to an end.

# Acquascutum faces winding-up challenge

By David Owen

A resolution to wind up Aquascutum is likely to be presented at the classic clothing company's agm, following the breakdown of talks between the group's directors and dissident shareholders.

The group last week challenged the board's control of the company, which has traditionally been maintained through ownership of its 3.5m ordinary shares.

The challenge is in the form of a requisition requiring the group to include resolutions fully to enfranchise the group's Class A restricted voting shares and appoint two additional directors in the notice of its agm.

Holders of the 27m Class A ordinary shares are entitled to vote only on certain resolutions. The dissident group represents investors owning 27.2 per cent of the Class A shares.

The requisition also included a special resolution to wind up the company in the event that that to enfranchise fully the Class A shares is not properly carried.

Aquascutum said that it has been advised that Class A shareholders are not entitled to vote on either of the first two resolutions, but did not dispute their right to vote on the special resolution to wind the company up.

The company also appointed Mr Philip Birch to the board.

# BNB lifts profits 11% to £4.5m

BNB Resources, the recruitment and regional adverter, formerly Charles Barker reported pre-tax profits up by 11.1 per cent during 1989 at £4.45m. Turnover was £102.5m (£104.2m).

The figures still reflect 10-month contributions from the Charles Barker public relations business, which was sold to the privately-owned Corporate Communications company last autumn for £9m, and from Ayer Barker, the consumer advertising agency. BNB distributed its 75 per cent interest in Ayer Barker to NW Ayer of the US by way of "dividend in specie", also during the autumn.

Of the ongoing businesses, it continued, regional advertising made profits of around £1m at the operating level. BNB warned yesterday that growth prospects for executive search, management selection and recruitment advertising in 1990 were "unlikely to be sustained at the high rate seen by the industry in recent years".

But the company pointed to the strength of its balance sheet, where cash resources now total around £12m. Mr David Norman, chairman, said that the group was looking to expand, possibly by acquisition and, in particular, in recruitment advertising and management selection sider.

BNB shares gained 5p to 81p yesterday.

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres-ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Beauford | fin | 3.84† | May 10 | 3.2 | 5.52 | 4.6 |
| Bemrose | fin | 7 | May 25 | 7 | 11.3 | 11 |
| BNB Resources | fin | 2.7 | May 25 | 2.3 | 4 | 3.5 |
| Caird Group | int | 3.5☆ | Apr 27 | 2.5 | - | 6.5 |
| Castle Comms § | int | 4 | Apr 26 | 3.5 | - | 8.5 |
| Clyde Petroleum | fin | 0.65† | May 14 | 0.5 | 1.15 | 1 |
| Cookson | fin | 6 | July 2 | 5.25 | 9 | 7.75 |
| Copymore § | fin | 1.7 | - | 1.7 | 2.5 | 2.5 |
| Cramphorn § | int | 2 | Apr 27 | 1.65 | - | 6.25 |
| Croda Intl | fin | 6.9 | July 2 | 6.2 | 11 | 10 |
| Garton Eng | fin | 5.25 | July 2 | 4.75 | 7 | 6.25 |
| Guinness | fin | 10.0 | May 21 | 8 | 15.3 | 11.5 |
| Headlam | fin | 1.65 | June 4 | 1.25 | 2.4 | 2 |
| Hepworth | fin | 8.7 | - | 7.9 | 13.85 | 12.05 |
| Holders Tech§ | fin | 4 | - | 4 | 6 | 6 |
| Johnston Press | fin | 3 | May 9 | 2.5 | 4.5 | 3.5 |
| Laing (John) | fin | 10 | - | 9 | 13 | 12 |
| Mallett | fin | 4 | May 21 | 3 | 5.6 | 4.4 |
| Manders | fin | 4.85 | - | 4.55 | 6.85 | 6.35 |
| Maunders (John) | int | 2.3 | Apr 30 | 2.1 | - | 4.75 |
| Molins | fin | 8 | May 25 | 7.1 | 10.6 | 9.8 |
| Morgan Grenfell | fin | 8.25 | - | 7 | 12.6 | 10.85 |
| Morrison (Wm) | fin | 1 | May 21 | 0.875* | 1.3 | 1.15* |
| Mount Charlotte | fin | 0.83† | - | 0.705* | 1.29 | 1.105* |
| Nestor-BNA | fin | 2† | June 15 | 1.7 | 3 | 2.5 |
| PFG Hodgson | int | 1.2 | Apr 30 | - | - | - |
| Pressac | int | 0.75 | May 17 | 0.5 | - | 2 |
| Rentokil | fin | 3.62 | - | 2.835 | 5.35 | 4.275 |
| RTZ | fin | 13.5† | - | 10.75 | 18.5 | 15 |
| Rutland Trust | fin | 0.53† | May 21 | 0.42 | 0.8 | 0.63 |
| Savage Group§ | int | 1.5 | - | 1.5 | - | 3.5 |
| SD-Scicon | fin | 0.475 | - | 0.475 | 0.75 | 0.75 |
| Smith & Nephew | fin | 2.515 | July 5 | 2.25 | 4.25 | 3.8 |
| Spring Ram | fin | 0.28 | June 8 | 0.23* | 0.4 | 0.33* |
| Steel Burrill | fin | 8† | May 24 | 7.3 | 11 | 10 |
| Telemetrix | fin | 0.5† | - | nil | 0.5 | nil |
| Thorpe (FW) | int | 2.5 | - | 2.5 | - | 6.5 |
| Tyndall Hldgs | fin | 3 | June 15 | 3 | 5.5 | 5.5 |
| Wilson Bowden | fin | 5.4 | May 24 | 4.72 | 7.6 | 6.72 |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ‡Third market. ☆Carries scrip option.

Britain's biggest builder hit by collapse of housing market in south east England

# John Laing's profits tumble to £57.5m

By Andrew Taylor, Construction Correspondent

JOHN LAING, Britain's biggest general builder, last year paid the penalty for building four fifths of its UK houses in south east England, the area worst hit by the collapse of the residential property market.

Pre-tax profits during the 12 months to the end of December tumbled by 15.6 per cent from £68.1m to £57.5m.

Earnings per share were left 17.6 per cent lower at 43.4p.

Turnover rose marginally from £1.35bn to £1.36bn.

As well as being the country's biggest general builder, Laing is also Britain's fifth largest housebuilder as well as having a large civil engineering division.

Mr Martin Laing, chairman, said that profits had increased in every division except housebuilding in south east England.

Sales of housing in Scotland, where the company builds the other 20 per cent of its UK homes, were running at a record high last year, he added.

And sales of houses in California, where the group has expanded rapidly in recent years, more than doubled to 837. Nonetheless, the number of UK houses sold by the group fell from 3,436 to 2,584.

So the gains in Scotland and California were insufficient to offset a 35 per cent decline in housing profits from £51m to £33.3m.

Construction order books, however, are at a record level.

Construction turnover last year increased by 14.5 per cent (excluding businesses which have been sold) to £994.7m.

And construction profits increased by 25 per cent to £25.9m as margins hardened from 2.2 per cent to 2.6 per cent. Laing said the size of its construction order book increased by 35 per cent last year.

The value of orders stood at £1.5bn at the end of 1989.

During the year the group moved from a cash surplus to borrowings of £35m, representing 17 per cent of shareholders funds at the end of the year.

A final dividend of 10p (9p) makes 13p (12p) for the year.

**● COMMENT**

The advantage of being a housebuilder in south east England is that you can make a lot of money when the housing market is booming as it did two years ago. Conversely, sales and prices in the south east tend to slide further and faster than the rest of the country when the market turns down. Unfortunately for Laing, the next UK housing upturn is at least 12 months away. The housing market in California is also softening, which is bad news for other UK housebuilders operating in the state. Construction, however, should see another good 12 months based on a very strong order book. The strong family shareholding means the group is under less pressure to bring forward construction profits to offset problems in housing. Same again earnings would put the group on a prospective pe of 6.5. Buyers taking a long term view of a recovery in the housing market might be encouraged by the group's strength in south east England but expect little upturn in the short term.

Martin Laing: sales in California, where the group has expanded rapidly in recent years, more than doubled

# Speciality chemicals shine in Croda's lacklustre £36.4m

By Peter Marsh

WEAKENING demand, especially in the UK, restricted profits last year at Croda International, the chemicals, food and cosmetics company, which yesterday reported a pre-tax profit of £36.4m for 1989 – a 2 per cent increase.

Sales were 7 per cent ahead at £373.8m (£348.8m). The taxable profit in 1988 was £35.6m.

A final dividend of 6.9p (6.2p) is proposed to make 11p (10p) for the year. Earnings per share were 19.55p (19.46p).

Mr Michael Valentine, chairman, said the speciality chemicals business, which accounts for more than half the company's profits, had a mixed year. In this unit, adhesives and colours had done well, though hydrocarbons and operations in Canada were disappointing. Trading profits for the unit rose to £20.2m (£19m).

Divisions concerned with industrial chemicals, food, and cosmetics and toiletries all suffered falls in trading profits. The figures were £2.6m (£3.5m); £1.6m (£1.9m); and £2.3m (£2.8m). Profits in surface coatings rose to £8.9m (£6.5m).

**● COMMENT**

Croda continues to have an unexciting ring to it – despite the company's efforts to add higher-value areas of chemicals to its product portfolio and to expand overseas. With the fall-off in demand growth for many types of chemicals likely to continue for the next year to 18 months, both in the UK and many other countries, Croda faces a tough year in 1990. Profits for this period are unlikely to be much above those for 1989. The company is, however, making encouraging noises about its recent large investment programme having a positive effect on trading performance in 1991 or 1992. In the area of investment, no one can complain of Croda lacking ambition: capital spending in 1989 was £28.2m, compared to £18.3m in 1988. But with trading conditions for chemicals appearing to be worsening in many countries, it is difficult to put the right gloss on this aspect of the Croda story. The jury is still out on whether Croda is bravely re-equipping itself for the 1990s or is simply spending too much at the wrong time. Analysts are forecasting a pre-tax profit for 1990 of about £37m, which would put the company on a p/e of roughly 9.

# Wilson Bowden ahead to £40.3m

By Andrew Taylor, Construction Correspondent

WILSON BOWDEN, the housebuilder and property developer, last year increased pre-tax profits from £39m to a record £40.3m in spite of a collapse in British house sales.

Mr David Wilson, chairman, said conditions in the UK housing market were the worst during his 25 years in the industry.

This made the group's performance last year even more creditable, he said.

Turnover fell slightly from £149.5m to £147.7m. Nevertheless, earnings per share rose from 38.9p to 40.1p.

A recommended final dividend of 5.4p makes 7.6p (6.72p) for the year.

Housing profits slipped from £35.5m to £33.9m. This was more than offset by an 80 per cent increase from £4.7m to £8.5m in profits on property development, where sales increased from £18.4m to £30.6m.

The number of house sold by Wilson Bowden last year fell to 1,219 from 1,592 in 1988.

The average selling price, however, increased from £82,000 to £96,000 while pre-interest margins on sales rose from 27.1 per cent to 29 per cent.

Conditions in the housing market remained extremely difficult. The mortgage rate increase announced on February 15 and fears that rates could rise again made it very difficult to predict the outcome this year, Mr Wilson said.

The group had budgeted to build about 1,300 homes. Pre-interest margins were expected to remain at about 29 per cent but the average selling price was likely to reduce to about £90,000 with more homes expected to be targeted towards first time buyers.

Mr Wilson said commercial property sales were likely to rise to between £40m to £45m this year.

About 60 per cent of sales were already signed or in solicitors hands. Another 30 per cent were about to go to solicitors.

**● COMMENT**

Wilson Bowden's excellent landbank – it currently has 6,500 plots with planning permission much of it acquired at historically cheap prices - and a sound balance sheet means the company is able to outperform the sector whether house sales are rising or falling. Borrowings at the end of last year represented only 7.5 per cent of shareholders funds. The move into commercial development, which is now starting to bear fruit, has provided further shelter against falling house sales. Profits from property sales could be about £11m this year. If housing profits hold at about last year's level or dip slightly (and that is a big if) group profits could even reach £42m which would put it on a prospective p/e of about 8 which looks very cheap given the strength of the group against other housebuilders.

# European operations boost Rentokil

By Clare Pearson

RENTOKIL GROUP, the environmental and property care group, yesterday announced a 23.7 per cent increase to £62.03m in pre-tax profits for the year to end-December.

The outcome, up from £50.14m, was boosted by a first full-year contribution from Tropical Plant Rentals, the big US acquisition made in October 1988.

There was also a benefit of more than £3m from exchange rate movements. The European profits contribution increased by over 40 per cent to £15.37m (£10.96m) with the biggest gains coming in the Netherlands, Belgium and West Germany.

Group sales rose by 31 per cent to £279.28m (£213.45m) and earnings per share were up 23.5 per cent at 20.24p (16.39p).

After a proposed 3.62p (2.84p) final payment, the yearly dividend is increased by 25 per cent to 5.35p (4.28p).

In the UK, profits rose by under 8 per cent to £31.78m (£29.54m).

The company said property services had been affected by the sluggish property market while there had also been heavy investment, principally in water and ventilation services.

Benefiting from 1988's acquisition, which has made Rentokil the largest tropical plant rental company in the world, North America rose to £3.72m (£1.53m). Asia Pacific and Africa put in £11.16m (£8.11m).

By division, environmental services, which includes such interests as pest control, hygiene facilities and plant services, made £54.44m (£43.07m). Property care, which includes UK office machinery maintenance, contributed £7.59m (£7.07m).

During the year net cash rose to £29.1m from £17.7m. Some £12m (£26.8m) was spent on acquisitions, while capital expenditure stood at £26.7m (£21.1m).

**● COMMENT**

Mr Clive Thompson, the chief executive who since he joined in 1982 has spearheaded the transformation of Rentokil, once just the domestically-focused pest control business for which it is still best known, was talking confidently yesterday about the group's aim of 20 per cent annual pre-tax profits and earnings growth. Assuming this comes in on target, the shares stand on a prospective p/e of about 15 – which appeared off-putting. Looked at historically, however, the current premium to the market is actually on the low side and, given a few more disappointing figures from other companies, might look even less demanding. There should be another good boost from the Continent this year, while the UK will less affected by restructuring and investment in water and ventilation services; meanwhile, a steady stream of in-fill acquisitions in existing geographical and product areas is to be expected.



# Wm Morrison up 15% to £37m

By Clare Pearson

WILLIAM MORRISON Supermarkets, the Yorkshire-based food retailer, yesterday reported a 15 per cent increase to £37.01m in pre-tax profits for the 53 weeks to February 3.

The result was slightly ahead of analysts' expectations and the shares yesterday rose 3p to close at 108p.

Sales rose by 29 per cent to £775.68m (£603.66m). About 2.6 percentage points of the gain came from the addition of an extra week since the comparable figures covered a 52-week period.

About 16.6 percentage points came from new stores, net of closures. Mature stores, meaning those opened before January 1988, achieved 10 per cent sales growth.

Operating margins firmed from 4.8 to 5.4 per cent. But there was a much reduced exceptional gain from land and property disposals of £360,000 (£3.75m). A £4.59m swing at the interest level to a charge of £3.48m also held back pre-tax profits growth.

Interest capitalised, reflecting costs of financing property developments prior to their opening, stood at £3.73m (£3.23m).

The cost of expansion continued to push up the company's gearing which stood at the historically high level of 50 per cent at the year-end. But Mr Martin Ackroyd, finance director, said this was something the company could live with at the moment.

Three new stores were opened during the period, down from eight the previous year and bringing the total to 45.

There will be four further openings this year of stores in Shropshire, Lancashire, West Yorkshire and Leicestershire.

Mr Ackroyd said that in the first six weeks of the current year mature space had been showing 11.3 per cent sales growth, while a 27 per cent advance had been achieved in the new stores.

A final dividend of 1p is recommended, giving a 1.3p (1.15p) payment for the year.

## NEWS DIGEST

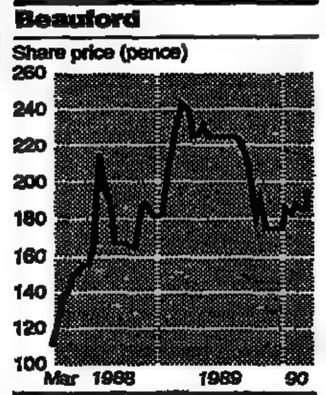
### Acquisitive Beauford nears £3m

BEAUFORD, the acquisitive engineering and industrial products group, yesterday unveiled an advance in pre-tax profits from £1.64m to £2.96m for 1989.

The 80 per cent improvement was scored on the back of a £14.5m increase in turnover to £30.94m.

**Beauford**

Share price (pence)




The results were achieved in spite of a background of uncertain economic conditions in the UK and a £268,000 rise in net interest payments to £436,000.

Beauford, which tucked five acquisitions under its belt during 1989 and one so far in 1990, plans to grow organically and by acquisition on the base of its existing engineering businesses and through further expansion of its industrial division.

Fully diluted earnings for the year emerged at 17.2p (14.3p) and a final dividend of 3.84p makes a 5.52p (4.6p) total for the year.

The company's shares closed 15p higher yesterday at 200p.

### Castle rises sharply and calls for £4.3m

From a turnover some 56 per cent ahead at £14.49m, Castle Communications saw pre-tax profits rise from £803,000 to £1.23m for the half-year ended December 31.

The USM-quoted company, which acquires music, video and film rights and markets them via the release of its own label records, cassettes, compact discs and video cassettes, is also calling on shareholders for £4.3m net through a two-for-nine rights issue at 400p per share.

The issue of 1.13m new ordinary shares is being underwritten by Matheson Securities and Schroder Securities.

Mr Terry Shand, chairman, said the major contributing factors for the first half improvement were substantial increases in sales in UK sell-through video activities, steady expansion from the core UK music labels, a strong level of profits from the new Australian subsidiary and the development of both music and video licensing using the group's catalogues of copyrights.

From earnings of 14.7p (12.7p) the interim dividend is lifted from 3.5p to 4p.

The company's shares closed 30p lower yesterday at 463p.

### Cramphorn grows 20% to £184,000

Cramphorn, the USM-quoted garden centre operator, yesterday reported a 20 per cent increase from £153,377 to £183,812 in pre-tax profits for the half year to December 30.

The company also forecast profits of £1.3m for the 53 weeks to July 7, a rise of some 30 per cent over the £1m returned for the 52 weeks to July 1 1989, and earnings growth of over 15 per cent.

To expand its chain of garden centres the group is calling on shareholders for £4.7m net via a three-for-seven underwritten rights issue at 400p per share.

Following the issue, a four-for-one share split is proposed to improve the marketability of the shares.

First half turnover fell from £6.58m to £5.29m, reflecting termination of the wholesale business, various shop closures and the expiration of a garden centre lease.

Earnings worked through at 4.11p (3.43p) and the interim dividend is lifted to 2p (1.65p). Full year earnings are forecast at not less than 26.68p (23.09p) and the directors intend to recommend a final of not less than 5.75p (4.6p).

### Savage slumps to £0.5m at midway

Taxable profits of Savage Group, the USM-quoted maker of hardware products, slumped from £3.6m to only £500,000 in the six months to December 31 1989. Turnover however, rose 10 per cent to £60.63m, against £55.32m.

Interest payments jumped from £789,000 to £2m, while there was an exceptional loss of £461,000 this time. After tax of £200,000 (£1.36m) the loss per 20p share was 0.5p (5.3p earnings).

The interim dividend is maintained at 1.5p.

Trading in the third quarter was expected to show an improvement on the second, directors said.

Sales in the seasonally stronger second half were currently believed to be in line with last year, but costs would be lower.

In the longer term, the effect of cost reductions and a growing market share should have a further beneficial effect on profitability, they added.

### Copymore edges into the black

Copymore, the office automation equipment distributor, returned to profits in the second half of last year.

For the full year, the USM-quoted group reported taxable profits of just £142,000 – well short of the £1.85m achieved in the previous year, but nevertheless a sign of improvement on the midway stage when the group incurred losses of £346,000.

Directors reiterated that the reason for the poor performance was that sales growth at its Copymore Office Automation subsidiary failed to match the expansion of fixed costs.

Corrective action has since been taken, they said, and the offshoot was now trading to plan.

Turnover expanded 64 per cent to £28.53m (£17.42m). Earnings per 5p share dived to a meagre 0.8p (11.1p) but the total dividend is maintained at 2.5p via a same-again final of 1.7p.

UK COMPANY NEWS

# Morgan Grenfell leaps 57% to £54.3m

By David Lascelles, Banking Editor

MORGAN GRENFELL, the merchant bank recently acquired by Deutsche Bank, ended its final year as an independent group with a strong recovery from earlier setbacks.

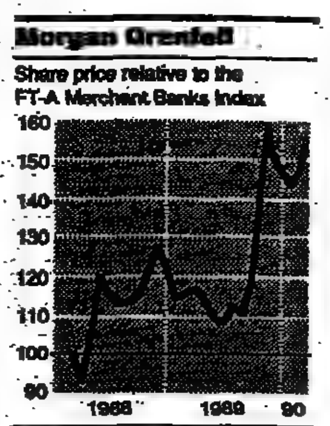
The bank yesterday announced a pre-tax profit of £54.3m for calendar 1989, up 57 per cent from the £34.6m earned the year before. This was struck after exceptional items of £19.9m, including £13.8m in provisions against local authority swaps, and £4.5m of information technology costs.

Mr John Craven, Morgan chairman, described the profit as "a very substantial improvement over the depressed results of the previous year", when the bank suffered heavy losses on its securities operations. Those operations have now been closed.

The largest single contribution, about one third, came from corporate finance where Morgan advised on 93 transactions with a total value of £17.8bn, more than half of which included foreign companies.

The banking business had a satisfactory year with particular success in project finance, and the asset management subsidiary achieved a significant recovery in profits.

Overseas, merchant banking and securities did well in Singapore, the Channel Islands business maintained its growth in profits, and CJ Lawrence, the New York brokerage, continued to increase its share of New York stock exchange volume, though in profit terms the result was flat.




After tax and minority interests, Morgan earned £35.5m (£20.6m). But there were also £9.8m of extraordinary items consisting mainly of costs associated with the Deutsche acquisition. This left profit attributable to shareholders at £24m after preference dividends.

The ordinary dividend will be a total 12.5p (10.85p) for the year, with a proposed final of 8.25p.

Mr Craven said the new relationship with Deutsche Bank was "coming along extraordinarily well". Morgan had not lost any staff or clients as a result of deal, and had in fact gained new clients.

He attributed this to the pledges given by Deutsche Bank to respect Morgan's independence.

The two banks are now in the process of getting more deeply acquainted, and of introducing each other to their clients, Mr Craven said.

Although only one deal – the recent listing of Daimler Benz shares on the London stock exchange – could be attributed directly to the merger, Mr Craven said several more deals were in the offing.

He said the merger had given Morgan direct access to important corporate clients in Germany, and he was particularly optimistic about prospects for growth of business in East Europe, an area where both banks have long-standing expertise.

He also believed the reform of the pension fund industry in West Germany would create opportunities for Morgan's fund management business.

# Strong patient care growth helps S&N rise 16% to £144m

By Vanessa Houlder

SMITH & NEPHEW, the healthcare and consumer products group, yesterday announced a 16 per cent rise in pre-tax profits from £124.2m to £144m for 1989.

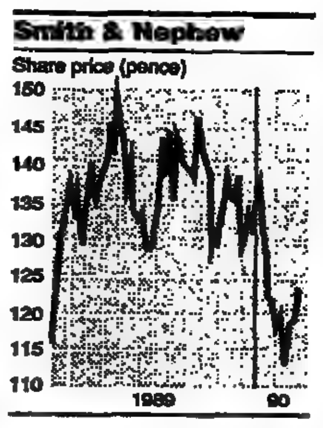
Turnover increased by 19 per cent from £597.9m to £710.1m.

The results were affected by a £3m loss from its US generic drugs business, after the US Food and Drug Administration delayed approval of a new plant, due to a tightening of procedures after irregularities by some generic drug manufacturers.

The figures benefited from the hot summer which helped sales of its Nivea sun care range. In its first year, Ioptex, its recently-acquired lens business, exceeded its budget.

Mr John Robinson, chief executive, said he was excited about prospects for the 1990s. The company had a strong geographical base, an unrivalled product portfolio, exciting new technologies, strong management and low costs, he said.

However, Mr Robinson warned that profits from the surgical gloves business would fall this year due to the relative decline in Aids concern. After doubling in the wake of the Aids panic, they had fallen back to a 50 per cent increase on the pre-Aids figure.




Net borrowings increased by £53m to £159m, due to exchange rate movements and the acquisition of Ioptex.

Capital expenditure was £23m (£19m). Sales would have been £34.2m lower if 1989 figures had been translated at 1988 exchange rates.

The profits breakdown by activity shows: patient care £87.8m (£67.7m); medical supplies £24.5m (£22.1m); consumer £26.9m (£22.8m); medical and other textiles £3.9m (£3.9m); plastics £4.6m (£3.9m).

After a tax charge of 26 per cent, fully diluted earnings per share grew by 10 per cent to 9.6p (8.7p).

A final dividend of 2.515p (2.25p) was declared, making a total of 4.25p (3.8p) for the year.

**● COMMENT**

S&N has so long been dubbed dull and worthy that its attempt to convey genuine excitement about its prospects is an uphill struggle. Nonetheless, it can justifiably point to the technological advances in its orthopaedic and dressing businesses, its expanding prospects in Japan and Continental Europe and the likely benefits from the ageing population. All this means that it should edge back towards annual earnings growth in the mid teens. That, though, may be a couple of years off. In the short term the company is grappling with the problems of its gloves business and its US generic drugs business, as well as continued destocking in the NHS. Depending on how well the company copes with these issues, it should make profits in the region of £164m this year. That puts the shares, unchanged at 124.5p, on a fairly valued rating of 11.

# Nestor-BNA paying £25m for US nursing agency

By Andrew Bolger

NESTOR-BNA, the healthcare services and specialist personnel group, plans to pay $40.8m (£24.7m) for Medical Recruiters of America, a nursing agency based in Florida and California.

Nestor also said it had agreed to buy MEDS, a doctors' deputising service based in Manchester, for £1.6m in cash.

To help fund these acquisitions, Nestor announced that it would raise £17.2m by a one-for-three rights issue at 104p per share. Nestor shares closed at 118p, down 8p.

Mr John Hann, chairman, said pre-tax profits had increased by 28 per cent to £6.05m in the year to December 31 and turnover was up 25 per cent to £82.3m. Earnings per share increased by 13 per cent to 8.51p and a final dividend of 2p gives a total for the year of 3p (2.5p).

MRA supplies nurses and other specialist health care workers on a temporary contract basis to hospitals across the US. It is a leading supplier of travel nurses, who work on contracts lasting from eight to 26 weeks.

These placements usually involve nurses moving from one part of the US to another, with rented accommodation and travel expenses included in their contracts.

Of the MRA purchase price, £12.35m will be paid in cash, with the remaining £12.35m satisfied by dollar-denominated promissory notes, which will be payable on January 2 1991, and will carry interest at 11.25 per cent per annum.

Nestor said MRA's trading record showed considerable growth. Turnover rose from $7m in 1987 to $35.9m in 1989, while profit before exceptionals, directors' remuneration and tax increased from $239,000 to to $6.1m during the same period.

Mr Hann said the acquisition of MEDS complemented Nestor's existing doctors' deputising division, which is based in north-west England and the West Midlands.

# Headlam marginally lower at £936,000

HEADLAM GROUP, the Northampton-based footwear and fabrics company where rival shareholder groups are battling for control, made a pre-tax profits of £936,000 in 1989. This compares with £969,000 in the 11 months to December 1988.

However, the 1989 figure was struck after an exceptional debit of £130,000, against a £40,000 charge last time. At the earnings per share level, the figure is 6p against 5.92p (again on the 11-month basis). Sales last year were £22.9m.

The group said that it regarded the outcome as a "very creditable performance given the difficult trading conditions", with its Faire Bros subsidiary, a narrow fabric producer, showing a "greatly improved" second half.

Headlam has come under fire from a four-strong group of dissidents, who have requisitioned an extraordinary meeting. At this, their aim is to replace the current chairman and deputy chairman of the group with new directors.

Headlam, meanwhile, which has long been regarded as having "shell" potential, has countered with a scheme of its own. This involves the injection of Cadogan Oakley - which comprises certain industrial activities belonging to Lord Chelsea - into the group. The egm has been called for April 4, and yesterday Headlam again urged shareholders to vote against the resolutions put forward by the dissidents.

The final dividend is a proposed 1.65p for a total of 2.4p (2p) for the year.

# Acquisitions help lift Steel Burrill by 83%

By Patrick Cockburn

PRE-TAX profits at Steel Burrill Jones Group, the Lloyd's insurance and reinsurance broker, increased by 83 per cent to £6.83m last year after extensive acquisitions.

Earnings per share rose by 40 per cent from 11.7p to 16.41p. The dividend for the year is increased 11 per cent from 10p to 11p via a proposed final of 8p (7.3p).

The group's brokerage income doubled to £21.36m (£10m).

Mr Tony Keys, the finance director, said the company was fortunate to draw one third of its income from the marine reinsurance market, almost the only sector of the insurance market where premium rates had significantly increased.

The marine London Market Excess of Loss (LMX) which reinsures other insurers against catastrophe saw a surge in prices at the time of the January 1 renewals as reinsurers sought to recoup losses in 1988 and 1989, according to Mr Derek Steel, the chairman.

By contrast the non-marine LMX market saw prices drop for all except insurers with poor loss records. The company added, however, that "the January and February storms have now led to a reduction in capacity which could be reflected in higher premium rates as the year progresses."

Elsewhere, Steel Burrill Jones (SBJ) said the corporate risks and direct marine markets remained weak. The market for employee benefits was strong and that for consumer risks steady.

Ever since 1988 the group has been seeking to expand through acquisitions away from reliance on the marine reinsurance market towards lower margin but steadier sources of income. Last year SBJ bought the unquoted non-marine insurance broker Devitt Group for £20.6m which contributed to the 1989 results.

SBJ said that as a result of acquisitions and reorganisation the 1989 results of the group's main subsidiaries were not directly comparable with those of 1988.

Mr Steel said: "We estimate that companies which which made a full contribution to both 1988 and 1989 results enjoyed an increase in turnover of 39 per cent."

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables

TODAY

Interims- Baillie Gifford Japan Trust, Parkdale.
Finals- Ayrshire Metal Products, Central Independent Television, Firstland Oil & Gas, Halls homes & Gardens, Ingham (George), McLoughlin & Harvey, Macallan-Glenlivet, Pacific Assets Trust, Russell (Alexander), Tronoh Mines Malaysia.

FUTURE DATES

| | |
|---|---|
| **Interims-** | |
| Bridport-Gundry | Mar. [illegible] |
| Evered | Apr. 25 |
| Magnetic Materials | Apr. 5 |
| Ossory Estates | Mar. 26 |
| Save & Prosper Strig Dep | Apr. 5 |
| **Finals-** | |
| Aitch | Mar. 30 |
| Dolphin Packaging | Mar. 29 |
| Gowrings | Apr. 2 |
| Jerome (S) | Apr. 2 |
| Lincoln House | Mar. 30 |
| NMW Computers | Mar. 29 |
| North British Canadian | Apr. 2 |
| Portals | Apr. 9 |
| Watts Blake Bearne | Apr. 2 |

# UK COMPANY NEWS

## SD-Scicon sustains a 46% reversal to £7.23m

By Alan Cane

SD-SCICON, a computing services group, turned in pretax profits of £7.23m in 1989, a 46 per cent decline on the previous year's £13.35m, but a substantial improvement on the £1m loss recorded at the half-way mark.

The result was slightly above market expectations of a company which has exasperated the City in the past with the volatility of its results.

It was the first year in which the figures reflected a full year's contribution from Scicon, acquired by Systems Designers in April 1988. Revenues, as a consequence, moved ahead 28 per cent to £283m from £221m in 1988.

Mr Philip Swinstead, chairman, said real growth in turnover had been substantially lower. It had been strongest in France at 10 per cent, weaker in the UK at six per cent and negative in West Germany and the US where the company experienced problems.

Earnings per share were 0.59p, compared with 4.01p the previous year, but the dividend is maintained at 0.75p via a final of 0.475p.


Philip Swinstead: abandoning policy of acquisition

The cost of dividends and extraordinary items concerned with restructuring and disposals resulted in an after-tax charge of £7.4m and a retained loss of £4.4m (profits of £5.46m).

Mr Swinstead said the figures reflected the substantial costs involved in bringing together and restructuring the two companies; it included a £2.5m exceptional charge, taken above the line, written off against a Government project which had been mismanaged as a result of the merger.

In a substantial change of strategy, Mr Swinstead said the group was abandoning its policy of acquisition in favour of organic growth and joint ventures, especially in the US where UK software companies have a meagre record of success. It was already in discussion with leading US software and services companies. The group had gone from revenues of £10m to £280m in four years and profits had suffered in the rush for growth. It was now time to consolidate and provide an adequate return to shareholders.

He said restructuring was essentially complete. The group had disposed of all of its US activities with the exception of Systems Control, a vehicle emissions testing organisation. It was, however, likely be sold within the next 18 months. The sale earlier in the year of Warrington Financial Services had left it with no net debt.

The company was in the latter stages of disposing of its flight simulation business.

## Acquisition effects peg Manders' growth

By Richard Tomkins, Midlands Correspondent

MANDERS HOLDINGS, the Wolverhampton-based inks, paints and wall-coverings group, increased profits by 9 per cent from £6.12m to £6.68m in 1989, but earnings were little changed at 14.14p, against 13.98p.

A heavy increase in the interest charge and a rise in the number of issued shares were two factors limiting progress, both of them due to the acquisitions made for cash and shares in 1988-89.

A final dividend of 4.85p is recommended, making a total of 6.85p (6.35p).

Against a background of increasingly difficult trading conditions, with decorative products particularly affected by the downturn in consumer spending, turnover rose from £81.9m to £92.9m. About two thirds of the increase came from acquisitions.

The group's trading operations increased market share but faced pressure on prices because of the downturn in demand. Margins, however, were sustained through productivity gains.

Trading profits from the decorative, ink and coating operations rose from £4.23m to £6.43m, while the property division, benefiting from rental growth at Wolverhampton's Mander Centre, added £3.55m (£2.94m). Interest charges, however, climbed from £1.05m to £3.29m.

Mr Roy Amos, chairman, said that although the continued improvement in profits performance would be offset this year by the increased cost of money, the company would still be looking for an improvement in the overall result.

## Holders Tech falls sharply

Pre-tax profits of Holders Technology, the USM quoted importer and distributor of high precision tools, specialised materials and equipment for the electronic and engineering industries, more than halved from £621,000 to £307,000 in the year to November 30 last.

Turnover was higher at £2.94m (£2.82m). After tax of £107,000 (£219,000) earnings per 10p share were down from 14p to 6.7p; the dividend is maintained at 6p via a 4p final.

# NEWS DIGEST

## Problems in US unsettle Bemrose

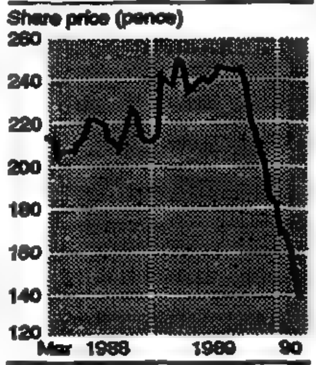
BEMROSE Corporation, the printing group, yesterday reported a 27 per cent contraction in profits for last year.

On turnover marginally ahead to £48.03m, the pre-tax balance was £4.01m, down from £5.48m in 1988. The outcome reflected losses at Bemrose Yattendon Inc, the group's related company in the US: Bemrose's share of losses amounted to £571,000. In 1988, BYI contributed £720,000 to profits.

Security printing in the UK performed satisfactorily in a very competitive environment, the directors said. Henry Booth, acquired at the end of 1988, put in £1.5m to operating profits.

Mr David Wigglesworth, chief executive, said that 1990 trading conditions would be tough. "We have taken steps to pare back costs and are pursuing further increases in productivity" he said.

**Bemrose**




Problems in the US stemmed from Renaissance Publishing, one of the three principal subsidiaries of BYI. The complexities of integrating the Champion line of calenders – which involved an expansion in output from 14m to 23m calenders – resulted in excessive production costs as well as organisational and administrative problems.

Mr Wigglesworth said management at Renaissance had been strengthened and controls tightened. "Over $1m of US central costs will be saved and BYI as a whole should show a marked recovery in 1990" he stated.

### John Maunders ahead to £4.1m

John Maunders Group, the Manchester-based house-builder, yesterday reported a 9 per cent increase in interim profits.

For the six months to end-December, pre-tax profits advanced to £4.08m (£3.73m) on turnover up from £24.1m to £30.76m.

During the period, Maunders, which sells its houses ahead of construction, sold 362 units, against 332 last time. Directors said there was still strong demand in the north west of England, although a difficult selling climate still prevails in the south.

An interim dividend of 2.3p (2.1p) is payable from earnings of 10.9p (9.95p) per 20p share.

### Mallett bucks trend with 35% increase

Mallett, the antique dealer, bucked the general trend in retailing in 1989 and returned a 35 per cent improvement in profits in the year, described by the company as "exceptionally good".

At the taxable level, profits rose to £3.65m (£2.7m), achieved on turnover ahead 24 per cent to £12.56m (£10.15m). After tax of £1.29m (£988,000), attributable profits came to £2.36m (£1.71m) and earnings worked through at 17.11p (12.41p) per share, a rise of 38 per cent.

A final dividend of 4p (3p) is recommended for a total of 5.6p (4.4p) for the year.

### Pressac down but margins improving

Pressac Holdings, which manufactures electro-mechanical products and distributes passive electronic components such as printed circuit boards and wiring systems, yesterday reported a 12 per cent decline in interim profits.

In the six months to January 31, taxable profits of the Nottingham-based group fell to £1.02m, against £1.17m in the corresponding period of the previous year.

Mr Roger Boissier, chairman, said trading conditions in the UK remained difficult, but "efficiency improvements" had already made an impact and profits margins were improving.

The "inevitable" fall in sales to £14.28m (£17.02m) was blamed on the economic climate in the UK with Pressac's telecommunications and domestic electronics suffering the largest decline.

Nevertheless, the interim dividend is lifted 50 per cent to 0.75p, payable from earnings per 5p share of 3.78p (4.31p).

### Garton up 30% but warns of shortfall

Against a background of falling demand, Garton Engineering achieved a 30 per cent increase in pre-tax profits from £1.22m to £1.58m in 1989.

But faced with depressed manufacturing activity in almost all of the UK markets which the group supplies, Mr Aubrey Garton, chairman, warned yesterday that profitability this year would show a reduction. He expected however, that this downturn would be kept to "acceptable levels".

At the beginning of this year demand in the UK had been low, he said, and a further fall was expected. European markets remained buoyant, but as yet the proportion of exports was insufficient to balance the fall in UK demand.

Turnover rose 19 per cent to £23.87m (£20.12m). Tax took £566,000 (£434,000) and earnings per 10p share were 27.85p (21.3p). A final dividend of 5.25p is recommended for a total up from 6.25p to 7p.

### Caird advances 78% to £3.03m

Caird Group, the Dundee-based environmental services company, yesterday unveiled a 78 per cent expansion to £3.03m in taxable profits for the six months to end-December.

Mr Peter Linacre, chairman, said the group's divisionalisation programme had worked "extremely well". Caird is now divided into four divisions: landfill, dry waste, special waste and industrial services.

Turnover was sharply higher at £17.61m (£5.7m). The interim dividend is raised by 1p to 3.5p, payable from earnings of 14.08p (10.14p) per 10p share. A two-for-one scrip issue is proposed.

## UK COMPANY NEWS

# Hepworth advances 18% to more than £100m

By Jane Fuller

ONE OF Hepworth's boasts about the acquisition of Saunier Duval is that it will further reduce its dependency on clay pipes, the foundation of its biggest division, building and construction materials.

After the French purchase, clay pipes – laid as drainage systems at a variety of construction sites – should represent little more than 20 per cent of profit. The pipes' profit share has fallen from 55 per cent in the mid-1980s to 25 per cent last year.

Out of 1989 group turnover of £604m, building and construction materials contributed £172.88m, representing slow growth. Profit, however, advanced £5m to £39.41m.

Total pre-tax profit went up 18 per cent to £102.12m, despite slackening demand related to the downturn in housebuilding.

Mr Peter Phillips, finance director, said margins had been improved by tight control of costs and working capital despite trading difficulties.

In home products, which includes domestic boilers, bathrooms and doors, workers had been put on a four-day week during the spring. That division saw profit increase by about £1m to £19.48m, on sales down to £126.26m (£131.83m).

With 30 per cent of divisional turnover (less than 10 per cent of the group) tied to new house building, Mr Phillips was cautious about 1990's prospects.

And some of that caution also applied to the star performer of 1989, refractories, which makes heat deflectors. Profit surged to £24.16m (£15.61m) on sales of £163.39m (£143.82m).

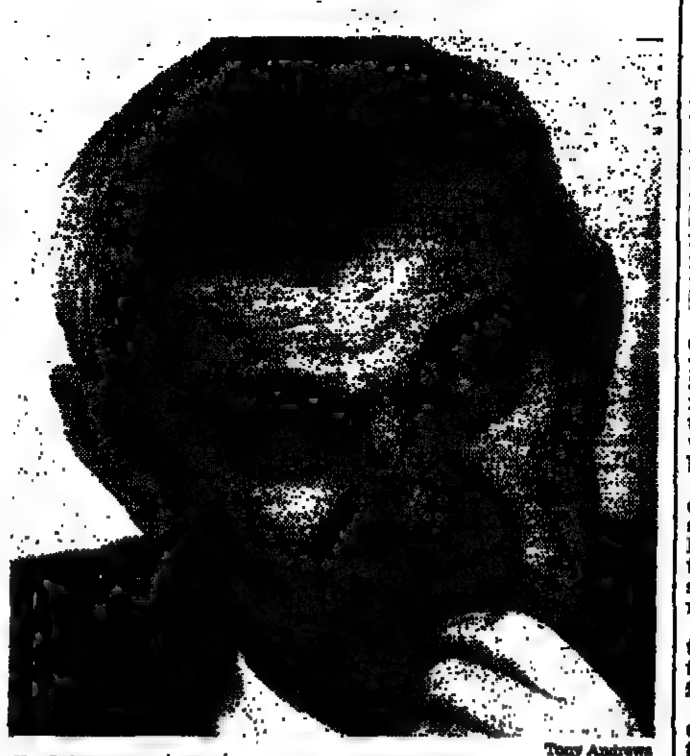
Although this division makes more than 50 per cent of turnover overseas, one of its biggest customers is British Steel and Mr Phillips said it had warned of a downturn in requirements. Altogether the iron and steel industries accounted for 58 per cent of group sales.

Capital spending was £30m in 1989. If the company went ahead with all the £53m planned for this year, interest charges, excluding those attached to the French acquisition, would rise to between £5m and £6m, said Mr Phillips. However, half the spending could be delayed.

Interest payments were £1.8m (£1.2m). Earnings per share advanced 20 per cent to 34.34p (28.59p). A final dividend of 8.7p makes a total of 13.85p (12.05p).

Because of the more difficult trading conditions and because the interest charges associated with Saunier Duval are expected virtually to cancel out the subsidiary's profit, this year's pre-tax figure is forecast to stay at about the £102m mark.

If the company is right about the benefits of the merger offsetting dilution from conversion of the capital bond, a similar earnings figure to this year's gives a prospective multiple of less than 8.



Tony Andrews

Sinclair Thomson, chief executive of Hepworth

# Rutland lifted by enlarged client base

By John Thornhill

RUTLAND TRUST, the financial services group controlled by London & Edinburgh Trust, lifted pre-tax profits by 27 per cent to £15.38m in 1989 as it benefited from strong performances from its corporate finance and professional services activities.

However, some uncertainty over Rutland's future emerged yesterday as LET, which has a 38.5 per cent stake in Rutland, revealed that it was itself in talks with an unnamed party which might lead to an offer being made for LET.

It is as yet unclear to what extent any change of ownership at LET would affect Rutland but it could either lead to the sale of some or all of the shareholding or an offer being made for the whole company.

In 1989, Rutland's turnover topped £100m for the first time, climbing 36 per cent to £100.39m (£74.01m).

Mr Michael Langdon, chief executive, said corporate finance activities during 1989 were particularly successful and had extended the client base.

The professional services division, which includes loss adjusters, building surveyors and architects, also showed strong growth.

But Rutland's interests in insurance broking encountered a "soft" market while asset financing suffered from particularly poor markets in the last quarter of the year and saw a fall in profits.

A divisional breakdown of pre-tax profits shows: head office and corporate finance £4.97m (£4.19m); insurance broking and personal financial services £3.71m (£3.68m); asset financing £1.86m (£2.3m); and professional services £4.82m (£2.93m).

Fully diluted earnings per share grew to 3.59p (2.96p). A final dividend of 0.53p has been recommended which will raise the total pay-out to 0.8p (0.63p).

● COMMENT

Given the background of some crumbling markets against which this result was achieved, Rutland has turned in a sturdy performance. Whether the company can continue in this vein remains a matter of some doubt, especially in the straitened asset financing field, but analysts remain fairly confident that Rutland's wide spread of businesses will shelter it from the worst ravages of economic turbulence. Pre-tax profits might rise to about £18m putting the company on a prospective rating of 10 which seems a shade meagre considering Rutland's sound and consistent past record. The doubts about Rutland's future provide much food for thought although any bidder for LET is likely to come from the property sector suggesting that it would probably not be too interested in Rutland's line of business. In this event, it seems probable that LET's shareholding would be reduced or sold outright helping to increase the liquidity of Rutland's shares and further underpinning the company's share price.

# Telemetrix returns to black

Telemetrix, the electronic products and components group, strongly returned to profitability in 1989 to the extent that it is to recommend a dividend for the first time in four years.

After reporting taxable losses last time of £2.11m the group achieved profits of £4.18m on turnover more than doubled at £48.02m (£18.83m).

Included in the profits figure was an exceptional profit of £1.15m (loss £1.81m) on ordinary trading activities.

Mr Roy Cotterill, chairman, said that over the past two years the company had laid down a strategy for success and was now on target to become a major international electronics group.

He added that the turning point in the regeneration of Telemetrix was the subscription and rights issue in June 1988. This had introduced a majority shareholder – Altron – and a strategy of expansion via acquisition had been followed.

Interest receivable rose to £893,000 (£217,000), and, after tax of £1.28m (£102,000), earnings amounted to 2.5p (losses 6.3p) per share.

The proposed dividend for the year is 0.5p. The shares climbed 5p to 34p on the day.

# Molins ahead of forecast with 58% rise to £13.9m

MOLINS, the cigarette machine manufacturer which last year spent £1.1m fighting off an unwelcome bid from Sir Ron Brierley's IEP Securities, yesterday reported a 58 per cent profits rise in the year to end-December.

At the pre-tax level profits were £900,000 ahead of forecast at £13.9m (£8.8m). This figure, however, included a £3m (£2.8m) pensions credit.

The major part of the improvement reflected a rise in the fortunes of the tobacco machinery division. There was a marked improvement in the results from the new tobacco machine business at Saunderton, which had a lower cost base with improved operating efficiency arising from ongoing operations and product range rationalisation measures.

Trading profits of this division amounted to £9.5m (£2.6m) out of a total of £13.5m (£6.9m).

The UK spares and machinery rebuild business, which represents an increasing percentage of sales, generated improved trading results and the tobacco machinery businesses in the US and Brazil, which are also heavily spares-, sales- and service-oriented, similarly produced excellent results.

The packaging and security printing division had another year of growth with increased sales and improved margins generating trading profits of £4.3m (£2.9m).

Turnover totalled £147.9m (£126.7m) with tobacco machinery accounting for £92m. Interest climbed from £900,000 to £2.6m and, after tax of £4.2m (£3.9m), earnings per share doubled to 32.4p (16.3p).

A proposed final dividend of 8p makes a total of 10.5p (9.6p).

# Finnish group to assist Conroy

By Kenneth Gooding, Mining Correspondent

Shares in Conroy Petroleum, the USM-quoted exploration company based in Dublin, rose by 3p to 98p yesterday on the news that Outokumpu Resources is to provide assistance in the development of Conroy's potentially world-class Galmoy zinc deposit in Ireland.

Outokumpu Resources is the international mining development arm of the state-owned Finnish group. It has had a 20 per cent shareholding in Conroy since 1986.

The arrangement covers the provision by Outokumpu of financial, technical, training and marketing services. It will enable Conroy to draw on experience from the Finnish group's mines, particularly the large Navan zinc mine in Ireland.

An independent feasibility study on Galmoy should be completed shortly. Present indications are that the deposit could support a $70m mine with an annual output of about 70,000 tonnes of zinc in concentrate.

Outokumpu's new interest in Galmoy will give the company raw material to replace resources which are quickly running out elsewhere.

# Moscow to buy more US grain under long-term pact

By Nancy Dunne in Washington

THE US and Soviet Union *yesterday announced* agreement on a new long-term grain pact which will boost Soviet purchases to an annual average minimum of 10m tonnes over a five year period.

The pact, successfully negotiated in Vienna this week, was the first concluded of a number of trade-related agreements now under discussion between the two superpowers. While past LTAs have been the product of hard bargaining, this one was apparently easily accomplished after both sides abandoned earlier hopes of a more expansive LTA.

The current pact, in effect since 1983, expires on December 31 of this year. It provides for annual minimum purchases by the Soviets of 9m tonnes, of which at least 4m must be wheat and at least 4m maize. The Soviets have the option of satisfying the remaining 1m tonnes with either wheat, maize, soyabeans or soyabean meal with every tonne of soyabeans and/or meal, up to a maximum of 500,000 tonnes, counting as two tonnes.

The US would have liked a higher minimum purchase level and the inclusion of more commodities. Instead, negotiators settled for a 1m tonne boost in the minimum level.

The Soviets asked for a lower minimum and would have liked some guarantee on export subsidies. They got neither, but negotiated more flexibility in their purchases.

Under the new pact, the *Soviets have agreed in theory* to annual purchases of at least 4m tonnes each of wheat and feedgrains with the additional 2m tonnes composed of wheat, feedgrains, soyabeans and soyabean meal.

Minimum requirements not met one year can be satisfied later on when the demand is greater. However, over the life the Soviets have agreed to a minimum purchase of at least 20m tonnes each of wheat and feedgrains and 10m additional tonnes of wheat, feedgrains, soyabeans or soyabean meal.

Giving further flexibility, in any one year Moscow can substitute up to 750,000 tonnes of one commodity for another twice during the five year span.

The LTA also raises the maximum purchase level for buying without previous consultation. Previously, the Soviets could buy up to 12m tonnes of maize and wheat – and in some years even more – without prior agreement. This maximum has been increased to 14m tonnes.

The two sides are running into more controversy negotiating a *maritime agreement*. The Soviets are pushing for greater access to US ports and greater freedom to crosstrade. The US is insisting on a cargo sharing provision, to provide guaranteed shipments for the US merchant marine.

**Zambia's maize exports are likely to be stopped this year, writes Mike Hall in Lusaka. Marketable maize output is expected to show a substantial decline – possibly by as much as 30 per cent on the 1988/89 figure – as a result of the smaller area planted by farmers, because of high seed and fertiliser costs, and a six week drought in some areas.**

# Study highlights value of forestry

By James Buxton, Scottish Correspondent

IN AN attempt to demonstrate the importance of forestry to the UK economy, timber growers and timber users yesterday presented a study suggesting that the economic value of the forestry industry is about five times larger than previously estimated.

*The study, commissioned* by the Forestry Industry Committee of Great Britain, puts the total economic impact of UK forests and dependent activities at nearly £2bn, with the output of forests at £384m.

The number of full-time equivalent jobs in UK forests was 11,800 and the total impact of forests and dependent activities on UK employment was 55,500.

All figures are for 1984 since that was the last year for which official input-output statistics were available. The study, carried out by the Fraser of Allander Institute of Strathclyde University, erred on *the side of caution* in assessing forestry's significance but the £2bn figure is five times the previous estimate of about £400m. The forestry industry is under attack from environmentalists while others question its economic value. Since the 1988 changes in the tax regime for tree planting, the level of new planting has halved.

The study measured the *value of output from forests*, the services consumed in producing it, and forestry's impact on consuming industries such as construction. It concluded that in 1984 the UK was dependent on home grown timber for at least 2 per cent of its pulp and paper needs and on 21.6 per cent for timber processing.

Since 1984 about £750m has been invested in the processing sector of the industry, most of *which is dependent on UK* timber supplies, notably the Finnish-owned paper mills at Shotton in North Wales and Irvine in Scotland. The FICGB says that the new plants have increased the size of the industry and its dependence on home-grown timber.

# MMB plans £4m rationalisation

By Bridget Bloom, Agriculture Correspondent

**If the European Commission were really concerned to make European agriculture more competitive, "it would have seized this time of relatively high world commodity prices as an opportunity to cut its support prices still further", the UK *House of Lords Select Committee on the European Communities* believes.**

**In a report published today on the current farm price proposals, to be discussed in Luxembourg by Farm Ministers on Monday, the Committee says that the Commission may have refrained from instigating further cuts in this year's price fixing because of the current Uruguay Round of Gatt negotiations.**

**But, they say, the Commission's current tough line does not bode well either for a more market-oriented common agricultural policy in the future, nor for a successful outcome at the Gatt.**

THE MILK Marketing Board of England and Wales, which has a monopoly of the buying and selling of all milk produced by the countries' 33,000 dairy farmers, has announced that it is to spend £40m on a "dairy industry rationalisation programme" over the next twelve months.

In essence, the MMB will *fund the closure of four plants* manufacturing butter and skimmed milk powder which, with other minor adjustments, will cut existing capacity by 20 per cent.

The *four* plants are owned by Dairy Crest, the MMB's wholly-owned subsidiary and Britain's largest dairy manufacturer. However, Unigate is also to remove some "reserve" capacity.

While the MMB's move was not unexpected, it comes at a time of considerable controversy in Britain's dairy sector, struggling to come to terms with the approaching single European market.

On the one hand, the Board is under pressure from the government voluntarily to abandon its 57-year old statutory monopoly and to negotiate with the Dairy Trades Federation, representing the industry, a more market-oriented pricing system.

On the other is the pressure on processing and manufacturing resulting from the quotas on milk production introduced by the EC in 1984.

Yesterday the MMB claimed that quotas were the principal reason for its new rationalisation programme – an earlier one closed butter and milk power plants in 1988 at a cost of £26m.

A further reason for the rationalisation was declining butter consumption as doctors urged people to cut their intake of saturated fats.

The plants now to be closed – at Alfreton in Derbyshire, Kendal in Cumbria and Lostwithiel in Cornwall, plus part of the Maelor operation in Wales – were among those pressed into service in the peak milk production years of *the early 1980s, when many* plants were producing for the EC-subsidised surpluses held in intervention stores.

Since then, butter held in intervention has declined dramatically – from a peak of 1.3m tonnes in late 1986 to only 28,000 tonnes at the start of this year.

In England and Wales in 1982-83, total milk production was 13.6bn litres, of which 3.3bn litres went to make butter. Last year total milk production had declined to 11.6bn litres, of which only 2.2bn went into butter.

Butter production dropped from a peak of 216,000 tonnes in 1982-83 to 142,000 tonnes in 1988-89.

Yesterday the MMB said that all dairy companies in England and Wales had been invited to take part in the rationalisation, which had been agreed with the DTF and subsequently with *the European Commission*. However, as in 1988, Dairy Crest is taking the brunt of the closures.

The MMB's move, not surprisingly, has been welcomed by the Dairy Trades Federation. Mr Andrew Dare, its President, said yesterday that removing spare capacity would increase efficiency in the industry as a whole.

His own company St Ivel, part of the Unigate group, *would be removing* a small butter making plant and a "strategic reserve" milk drying plant which represented no more than 1 per cent of capacity.

Mr Michael Landymore, dairy industry analyst at Henderson Crosthwaite, commented that, provided there was no marked fall in the butter market, the MMB's move should lead to a "relatively profitable industry for the moment."

However, the move will do little to solve the industry's major problem of evolving a marketing and pricing system *more appropriate to the 1990s*.

At present Britain's five regional milk marketing boards – with the MMB for England and Wales by far the biggest – buy and sell all the milk produced by the UK's dairy farmers. The boards and the DTF between them fix prices for that milk according to end use and calculated so as to guarantee a minimum return to the companies on capital employed.

Mr John Gummer, the Minister of Agriculture, has criticised the system as being too restrictive but the two sides have been deadlocked for the last six months over how they should replace it.

# Cocoa pact meeting adjourned

By David Blackwell

COCOA PRODUCERS and consumers were in no hurry yesterday to tackle their most pressing problem – the possible extension of the international cocoa agreement.

The first full International Cocoa Organisation council session since last September ended early yesterday afternoon after routine business had been dealt with. The council does not meet again until Monday morning.

"We can concentrate on Monday on the real hardcore business," said Mr Peter Baron, chairman of the council, *who said he was satisfied* with the progress made yesterday. He described the favoured policy of extending the agreement for two years from September with no economic *provisions as the "only realistic* and feasible option."

Producing countries are believed to want more time to consider the implications of such an extension, although this appears to be the only route the two sides can take. However, financial problems could prove a stumbling block.

The organisation, which controls a buffer stock of 240,000 tonnes of cocoa, is owed nearly *$140m in unpaid levies. The* Ivory Coast, the biggest producer, alone owes over $84m.

The buffer stock manager has only enough money to look after his stockpile for one year *from next September, when the* moribund agreement officially expires. Money would be needed for a possible second year.

Some of the cocoa beans in the buffer stock are deteriorating. Consumers believe that this cocoa should be sold and not replaced in order to finance an extended agreement. The only other option is for producer countries to pay off at least *some of their debts*.

# Finland in gas import talks

By Enrique Tessieri in Helsinki

NESTE, THE Finnish state-owned oil and chemicals group, has begun talks with Gas Försäljings Udvalge, a gas sales committee made up of Norsk Hydro, Saga Petroleum and Statoil, on the possibility of importing Norwegian gas to Finland by the end of this decade.

A decision by Finland to import between 1.5bn and *2.5bn cubic metres of gas from* Norway will be reached during this year, Neste officials said.

According to Mr Harry Anton, a Neste gas division director, Finland's decision to import Norwegian gas would help reinforce the development of a Nordic gas grid, as well as lessen Finland's total dependence on Soviet gas imports.

Finland last year signed an agreement with the Soviet company Soyuzgasexport to double gas imports by the mid-1990s to 4bn cu m and possibly to as much as 5bn cu m at the turn of the century.

Analysts believe that Neste's *interest in Norwegian gas* hinges on reviving present gas import negotiations between Sweden, Norway and the Soviet Union.

Gas would secure an important foothold in Sweden if the country plans to phase out all of its 12 nuclear installations by 2010. Roughly half of Sweden's electricity is generated by nuclear power.

Swede Gas officials have asked for patience from Norway and the Soviet Union on gas imports volumes. Both countries have expressed their displeasure over the small amount of gas Sweden would initially wish to import.

*In the 1990s*, Swede Gas sources estimate an annual consumption of 5.5bn cu m for Sweden, of which 2.5bn cu m should come from Norway, 2bn cu m from the Soviet Union via Finland and 1.1bn cu m from Denmark.

# Rise in wool supply forecast

GLOBAL SUPPLIES of wool in the 1989-90 (July-June) season are set to increase, with both stocks and production rising, according to the latest Wool *Quarterly published by the* Commonwealth Secretariat, reports Reuter.

It said World supplies would rise by 5.5 per cent to a record 2,067,000 tonnes in 1989-90, following a 1.6 per cent rise in 1988-89.

# E. Europe bonus for metals producers

By Kenneth Gooding, Mining Correspondent

RAPID CHANGES taking place in the Soviet Union and other parts of eastern Europe are likely on balance to prove beneficial to western producers of aluminium and base metals, said Mr Phillip Crowson, chief economic adviser to RTZ Corporation, the world's biggest mining group, yesterday.

While the eastern bloc countries desperately needed hard currency, "minerals and metals are not going to be major foreign exchange earners," he added.

The west is a net importer from the eastern bloc of aluminium and copper and a modest net exporter of zinc. "The outlook for this trade is uncertain, to put it mildly," said Mr Crowson.

"Many eastern production facilities are old fashioned, high cost and environmentally damaging. They will not be able to withstand competitive markets, let alone environmental scrutiny.

"Eastern prices set at artificially low levels have encouraged the profligate use of resources, and the Marxist system has prompted the maximum extraction of products from ore, no matter how costly. The average grades of mined ore are much lower in these countries than in the west," Mr Crowson said in a presentation associated with the publication of RTZ's financial results.

Looking at the prospects for 1990, Mr Crowson said the world as a whole should experience overall economic growth of about 2.75 per cent and make similar gains next year.

Supplies of most metals and minerals remained tight so highly volatile prices could be expected. Furthermore, production costs were rising, having reached their nadir in 1987.

Mr Crowson suggested that in 1990 the price of copper would average close to US$1.10 a lb ($1.29 last year) and aluminium would average 70 to 80 cents a lb (87 cents). Gold would probably range between $380 and $420 a troy ounce ($382 last year).

# Technical problems close lead smelter

By Bernard Simon in Toronto

A SUCCESSION of technical problems has forced Cominco, the Canadian base metals producer, to shut its brand-new lead smelter at Trail, British Columbia, for at least two months.

*The pioneering smelter*, the first in the world to use a one-stop process eliminating blast furnaces, began operating last December but has been plagued by mechanical and metallurgical problems, including boiler leaks. A Cominco official said that the C$130m (£69m) plant had so far operated at no more than a quarter of its 160,000 tonnes-a-year capacity.

The process was designed by the West German engineering company Lurgi, *which is working* closely with Cominco to iron out the problems. Several parts of the process are to be changed, including the reactor, drossing plant, slag granulation, boiler and ventilation facilities.

To compensate for the loss of production from the new smelter, Cominco is to continue operating its 35-year old existing facility, which has been working since the beginning of the year at about half *its design capacity of 120,000* tonnes. "We'll crank it up as high as we can," the company official said.

Meanwhile, work is progressing on a C$70m project to modernise the adjacent zinc smelter at Trail in advance of the first shipments of concentrate from the Red Dog mine in Alaska, expected to commence this summer.

The lead smelter has functioned largely as a custom facility for outside producers *since Cominco closed* its nearby Sullivan mine last January. Sullivan, which was Trail's biggest source of lead and zinc concentrate, was shut indefinitely after labour costs rose to levels unacceptable to the company.

## WORLD COMMODITIES PRICES

## MARKET REPORT

*COPPER prices were easier in* London at the close yesterday, and by midsession Comex prices were sliding on news that the nine-day Peruvian port strike had been lifted. The London market retained a sound undertone based on supply tightness but some operators, while not prepared to sell short, appeared to be looking to sell into rallies. The failure to penetrate the $2,610 to $2,620-a-tonne resistance barrier had injected some caution, analysts said. Some of the market's recent strength dissipated after Noranda's Horne smelter workers accepted the company's final wage offer. *Southern Peru Copper said it had* no immediate plans to declare force majeure despite an 11-day-old strike. Nickel continued this week's retreat on the LME on profit-taking and aggressive merchant selling. On the London bullion market gold edged ahead as the dollar backed off the day's highs. Dealers said the metal was now attempting to settle into a $390-$394 an ounce trading range after Wednesday's sharp fall through previous good support at $395. In Chicago soyabeans were ahead by midsession, supported by the anti-inflation moves in Brazil.

**Compiled from Reuter**

## London Markets

| SPOT MARKETS | | |
|---|---|---|
| Crude oil (per barrel FOB) | | + or - |
| Dubai | $15.40-5.50y | +0.10 |
| Brent Blend | $18.20-8.25y | +0.05 |
| W.T.I. (1 pm est) | $20.04-2.07y | +0.08 |
| Oil products (NWE prompt delivery per tonne CIF) | | + or - |
| Premium Gasoline | $215-216 | +1 |
| Gas Oil | $158-159 | -2 |
| Heavy Fuel Oil | $77-79 | -4 |
| Naphtha | $169-170 | +1 |
| *Petroleum Argus Estimates* | | |
| Other | | + or - |
| Gold (per troy oz)♣ | $393.00 | +1.25 |
| Silver (per troy oz)♣ | 508c | +2 |
| Platinum (per troy oz) | $492.75 | +5.00 |
| Palladium (per troy oz) | $129.50 | +0.75 |
| Aluminium (free market) | $1615 | +30 |
| *Copper (US Producer)* | 133¼c | |
| Lead (US Producer) | 60.5c | |
| Nickel (free market) | 460c | -15 |
| Tin (Kuala Lumpur market) | 17.01r | +0.13 |
| Tin (New York) | 297c | +1 |
| Zinc (US Prime Western) | 83¼c | -¼ |
| Cattle (live weight)† | 113.27p | +1.93* |
| Sheep (dead weight)† | 220.27p | -4.20* |
| Pigs (live weight)† | 96.46p | -0.18* |
| London daily sugar (raw) | $375.6w | -7.6 |
| London daily sugar (white) | $451w | -4 |
| Tate and Lyle export price | £351.5 | -5.5 |
| Barley (English feed) | £110.75 | |
| Maize (US No. 3 yellow) | £132.0v | +0.5 |
| Wheat (US Dark Northern) | £133t | |
| Rubber (Apr)▼ | 57.00p | -0.50 |
| Rubber (May)▼ | 57.75p | -0.50 |
| Rubber (KL RSS No 1 Apr) | 229.5m | |
| Coconut oil (Philippines)§ | $382.5w | -2.5 |
| Palm Oil (Malaysian)§ | $277.5 | |
| Copra (Philippines)§ | $242.5 | |
| Soyabeans (US) | £172 | -1 |
| Cotton "A" Index | 78.65c | -0.25 |
| Wooltops (64s Super) | 580p | +4 |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Mar/Apr. v-Apr/Jun. w-Apr/May. z-Apr y-May. †Meat Commission average fatstock prices * change from a week ago. ▼London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

**SUGAR – London FOX ($ per tonne)**

| Raw | Close | Previous | High/Low |
|---|---|---|---|
| May | 344.40 | 350.20 | 347.00 343.00 |
| Aug | 346.60 | 351.60 | [illegible] |
| Oct | 334.80 | 338.40 | 336.60 333.40 |
| Dec | 330.00 | 336.00 | 328.00 |
| Mar | 308.60 | 314.00 | 310.00 308.00 |
| May | 308.00 | 311.00 | 308.00 |
| **White** | **Close** | **Previous** | **High/Low** |
| May | 446.0 | 450.0 | 450.5 445.5 |
| Aug | 442.0 | 446.0 | 444.0 441.0 |
| Oct | 412.0 | 416.5 | [illegible] 411.0 |
| Dec | 399.5 | 401.0 | [illegible] |
| Mar | 393.0 | 395.0 | 413.0 [illegible] |
| May | 392.0 | 394.0 | 391.0 |
| Aug | 390.5 | 392.0 | 391.0 390.0 |

Turnover: Raw 7182 (4404)lots of 50 tonnes. White 2461 [illegible]
Paris- White (FFr per tonne): May 2565, Aug 2555, Oct 2365, Dec 2325, Mar 2310, May 2310

**CRUDE OIL – IPE ($/barrel)**

| | Latest | Previous | High/Low |
|---|---|---|---|
| May | 18.26 | 18.27 | 18.30 18.16 |
| Jun | 18.33 | 18.20 | 18.43 18.29 |
| Jul | 18.40 | 18.34 | 18.46 18.44 |
| IPE Index | 18.16 | 18.44 | |

Turnover: 5674 (3984)

**GAS OIL – IPE ($/tonne)**

| | Latest | Previous | High/Low |
|---|---|---|---|
| Apr | 158.00 | 159.25 | 160.00 157.25 |
| May | 155.75 | 156.00 | 156.75 154.00 |
| Jun | 154.50 | 154.75 | 155.75 153.25 |
| Jul | 156.25 | 156.00 | 156.50 155.50 |
| Aug | 158.50 | 158.25 | 158.75 158.00 |
| Sep | 160.50 | 160.00 | 161.00 158.75 |
| Oct | 163.00 | 162.50 | 163.00 161.50 |
| Nov | 164.75 | 165.50 | 164.75 164.25 |
| Dec | 166.50 | | 166.50 165.00 |

Turnover 7067 (5714)lots of 100 tonnes

**FRUIT AND VEGETABLES**

There is a huge variety of grapes available with prices ranging from 80p-£1.00 a lb *(80p-£1.40) depending on type, reports* FFVIB. Apples are a good buy at 30-65p, bananas at 50-65p, grapefruit at 20-50p each, oranges at 8-20p, pineapples at 65p-£2.40 and advocados at 45-80p. Broccoli is at 60-90p a lb, and cabbage 20-30p each. Carrots are at 15-30p a lb depending on type. Mushrooms are at 14-25p, parsnips at *25-40p and potatoes at 10-18p. Round* lettuces are at 25-40p each (30-50p)and iceberg lettuces at 55-90p (55-65p). Celery is at 35-65p a head, cucumbers at 60-65p each and tomatoes at 65p-£1.00 a lb.

**COCOA – London FOX (£/tonne)**

| | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 716 | 699 | 713 699 |
| May | 727 | 710 | 727 711 |
| Jul | 743 | 725 | 743 724 |
| Sep | 762 | 737 | 762 740 |
| Dec | 790 | 760 | 786 763 |
| Mar | 806 | 781 | 805 787 |
| May | 820 | 796 | 820 801 |

Turnover: 7161 (4270) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 21 834.16 (821.76) 10 day average for Mar 22 852.65 (864.27)

**COFFEE – London FOX (£/tonne)**

| | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 677 | 679 | 670 656 |
| May | 665 | 660 | 660 662 |
| Jul | 670 | 673 | 680 658 |
| Sep | 687 | 683 | 690 669 |
| Nov | 699 | 695 | 705 685 |
| Jan | 711 | 712 | 719 700 |
| Mar | 724 | 724 | 716 711 |

turnover: 2556 (2644) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 21: Comp. daily 72.56 (73.46). 15 day average 76.39 (76.37)

**POTATOES – BFE (£/tonne)**

| | Close | Previous | High/Low |
|---|---|---|---|
| Apr | 143.0 | 151.0 | 146.0 141.0 |
| May | 179.5 | 184.9 | 184.1 178.0 |
| Nov | 95.5 | 95.5 | 95.0 |
| Feb | 110.0 | 115.0 | |
| Apr | 136.5 | 137.2 | 137.0 136.5 |

Turnover 910 (422) lots of 40 tonnes.

**SOYABEAN MEAL – BFE (£/tonne)**

| | Close | Previous | High/Low |
|---|---|---|---|
| Jun | 128.00 | 128.00 | |
| Aug | 129.00 | 126.50 | 129.00 127.00 |
| Oct | 131.00 | 129.50 | 131.00 130.00 |

Turnover 36 (60) lots of 20 tonnes.

**FREIGHT FUTURES – BFE ($10/index point)**

| | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 1550 | 1540 | 1550 1535 |
| Apr | 1555 | 1554 | 1582 1550 |
| Jul | 1347 | 1344 | 1347 1339 |
| Oct | 1440 | 1460 | 1460 1440 |
| Jan | 1465 | 1460 | 1470 1460 |
| Apr | 1475 | 1507 | 1479 |
| BFI | 1569 | 1570 | |

Turnover 367 (465)

**GRAINS – BFE (£/tonne)**

| Wheat | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 110.30 | 110.40 | 110.40 110.30 |
| May | 111.60 | 112.35 | 113.30 111.50 |
| Jun | 113.90 | 114.30 | 114.30 113.25 |
| Sep | 106.50 | | 106.50 |
| Nov | 109.50 | | 109.50 |
| Jan | 113.10 | | 113.10 |
| **Barley** | **Close** | **Previous** | **High/Low** |
| Mar | 102.10 | 102.90 | 102.10 |
| May | 105.00 | 105.50 | 105.00 |
| Sep | 103.55 | 103.40 | 103.55 103.50 |

Turnover: Wheat 170 (148), Barley 19 (46).
Turnover lots of 100 tonnes.

**PIGS – BFE (Cash Settlement) p/kg**

| | Close | Previous | High/Low |
|---|---|---|---|
| Apr | 120.5 | 120.3 | 120.5 |
| Jun | 119.5 | 119.8 | 119.5 |
| Aug | 115.0 | 114.8 | |
| Oct | 118.0 | 118.3 | 118.0 |

Turnover 8 (47) lots of 3,250 kg

**LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)**

| | Close | Previous | High/Low | AM Official | Kerb close | Open Interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | | Ring turnover 15,875 tonne |
| Cash | 1610-2 | 1602-4 | 1611/1610 | 1611-2 | | |
| 3 months | 1611-2 | 1605-6 | 1625/1605 | 1613-5 | 1617-8 | 38,899 lots |
| **Copper, Grade A (£ per tonne)** | | | | | | Ring turnover 38,442 tonne |
| Cash | 1671-3 | 1677-8 | 1695/1675 | 1695-6 | | |
| 3 months | 1631-2 | 1639-9 | 1650/1625 | 1651-3 | 1629-30 | 64,899 lots |
| **Lead (£ per tonne)** | | | | | | Ring turnover 12,475 tonne |
| Cash | 665-75 | 685-80 | 685 | 675-80 | | |
| 3 months | 633-4 | 592-5 | 593/590 | 626-7 | 594-5 | 10,056 lots |
| **Nickel ($ per tonne)** | | | | | | Ring turnover 1,728 tonne |
| Cash | 9775-825 | 9950-10000 | 10000 | 9950-10000 | | |
| 3 months | 9500-25 | 9625-50 | 9650/9500 | 9730-75 | 9475-500 | 7,497 lots |
| **Tin ($ per tonne)** | | | | | | Ring turnover 1,415 tonne |
| Cash | 6400-20 | 6360-70 | 6420 | 6405-10 | | |
| 3 months | 6515-30 | 6490-500 | 6530/6500 | 6580-5 | 6580-5 | 5,719 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | | Ring turnover 12,875 tonne |
| Cash | 1755-65 | 1768-72 | 1765 | 1765-6 | | |
| 3 months | 1615-22 | 1627-8 | 1641/1618 | 1640-2 | 1623-4 | 16,808 lots |
| **Zinc ($ per tonne)** | | | | | | Ring turnover 600 tonne |
| Cash | 1570-80 | 1650-5 | 1640/1620 | 1600-20 | | |
| March 30 | 1560-80 | 1630-40 | | 1580-600 | | 170 lots |

LME Closing $/£ rate: SPOT: 1.6000 3 months: 1.5725 6 months: 1.5492 9 months: 1.5294

**LONDON BULLION MARKET**

| Gold (fine oz) | $ price | £ equivalent |
|---|---|---|
| Close | 392¾-393¼ | 245½-246 |
| Opening | 392½-393 | 245¼-245¾ |
| Morning fix | 392.25 | 245.771 |
| Afternoon fix | 392 | 246.077 |
| Day's high | 393-393½ | |
| Day's low | 391-391½ | |
| **Coins** | **$ price** | **£ equivalent** |
| Mapleleaf | 400-405 | 250-253 |
| Britannia | 400-405 | 250-253 |
| US Eagle | 400-405 | 250-253 |
| Angel | 403-408 | 252-255 |
| Krugerrand | 392-395 | 245 – 247 |
| New Sov. | 92¼-94¼ | 57½-59 |
| Old Sov. | 92¼-94¼ | 57½-59 |
| Noble Plat | 498.65-508.55 | 311.75-316.70 |
| **Silver fix** | **p/fine oz** | **US cts equiv** |
| Spot | 317.85 | 508.40 |
| 3 months | 325.85 | 517.20 |
| 6 months | 342.40 | 528.40 |
| 12 months | 367.75 | 552.10 |

**TRADED OPTIONS**

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | May | July | May | July |
| 1500 | 124 | 138 | 11 | 29 |
| 1600 | 57 | 79 | 43 | 66 |
| 1700 | 20 | 40 | 105 | 128 |
| **Copper (Grade A)** | **Calls** | | **Puts** | |
| 2500 | 165 | 147 | 37 | 114 |
| 2600 | 95 | 98 | 75 | 166 |
| 2700 | 52 | 65 | 131 | 233 |
| **Coffee** | **May** | **Jul** | **May** | **Jul** |
| 650 | 49 | 57 | 15 | 37 |
| 700 | 23 | 36 | 39 | 66 |
| 750 | 9 | | 75 | |
| **Cocoa** | **May** | **Jul** | **May** | **Jul** |
| 700 | 38 | 61 | 11 | 18 |
| 750 | 13 | 33 | 36 | 40 |
| 800 | 3 | 17 | 76 | 74 |
| **Brent Crude** | **May** | **Jun** | **May** | **Jun** |
| 1800 | 45 | 75 | 20 | 35 |
| 1850 | 19 | | 47 | 44 |
| 1900 | 9 | 23 | 84 | |

## New York

**GOLD 100 troy oz.; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 394.0 | 391.6 | 0 | 0 |
| Apr | 394.7 | 392.5 | 394.8 | 391.8 |
| May | 397.4 | 395.2 | 0 | 0 |
| Jun | 400.1 | 397.9 | 400.4 | 397.0 |
| Aug | 405.1 | 403.0 | 405.0 | 402.2 |
| Oct | 410.3 | 408.2 | 408.8 | 408.8 |
| Dec | 415.5 | 413.4 | 415.0 | 413.1 |
| Feb | 420.9 | 418.8 | 0 | 0 |
| Apr | 425.9 | 423.8 | 0 | 0 |

**PLATINUM 50 troy oz; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 492.2 | 492.3 | 0 | 0 |
| Apr | 494.7 | 494.8 | 495.9 | 490.0 |
| Jul | 500.2 | 500.2 | 500.9 | 495.5 |
| Oct | 505.6 | 505.6 | 506.2 | 502.0 |
| Jan | 512.0 | 512.0 | 508.5 | 508.5 |
| Apr | 518.6 | 518.6 | 518.5 | 516.1 |

**SILVER 5,000 troy oz; cents/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 506.4 | 505.5 | 507.5 | 506.5 |
| Apr | 509.1 | 506.4 | 0 | 0 |
| May | 513.0 | 510.3 | 513.4 | 509.5 |
| Jul | 521.2 | 518.5 | 521.5 | 517.5 |
| Sep | 529.7 | 527.0 | 529.0 | 527.5 |
| Dec | 541.5 | 538.9 | 542.0 | 538.0 |
| Jan | 545.1 | 542.5 | 0 | 0 |
| Mar | 553.3 | 550.6 | 553.5 | 553.0 |
| May | 561.5 | 559.0 | 0 | 0 |
| Jul | 569.9 | 567.4 | 0 | 0 |

**HIGH GRADE COPPER 25,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 128.10 | 132.60 | 131.70 | 128.50 |
| Apr | 122.10 | 126.60 | 125.00 | 122.50 |
| May | 118.10 | 121.30 | 120.40 | 117.50 |
| Jun | 115.20 | 118.00 | 0 | 0 |
| Jul | 112.20 | 114.80 | 114.60 | 111.80 |
| Aug | 110.05 | 112.40 | 0 | 0 |
| Sep | 107.70 | 110.00 | 109.80 | 107.80 |
| Oct | 106.20 | 108.40 | 0 | 0 |
| Nov | 104.70 | 105.80 | 0 | 0 |
| Dec | 103.30 | 105.30 | 105.40 | 103.50 |

**CRUDE OIL (Light) 42,000 US galls $/barrel**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| May | 20.10 | 19.96 | 20.17 | 19.94 |
| Jun | 20.27 | 20.20 | 20.36 | 20.15 |
| Jul | 20.35 | 20.28 | 20.49 | 20.28 |
| Aug | 20.36 | 20.43 | 20.56 | 20.30 |
| Oct | 20.32 | 20.47 | 20.49 | 20.32 |
| Dec | 20.30 | 20.45 | 20.51 | 20.29 |
| Jan | 20.40 | 20.43 | 20.46 | 20.37 |
| Feb | 20.38 | 20.41 | 20.45 | 20.38 |

**HEATING OIL 42,000 US galls, cents/US galls**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 5500 | 5554 | 5585 | 5490 |
| May | 5320 | 5361 | 5365 | 5275 |
| Jul | 5250 | 5259 | 5260 | 5210 |
| Aug | 5310 | 5324 | 5340 | 5295 |
| Oct | 5505 | 5524 | 5550 | 5505 |
| Nov | 5635 | 5599 | 5635 | 5585 |
| Dec | 5710 | 5674 | 5710 | 5675 |
| Jan | 5700 | 5694 | 5700 | 5700 |

**COCOA 10 tonnes;$/tonnes**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 1075 | 1034 | 1076 | 1046 |
| Jul | 1094 | 1048 | 1094 | 1062 |
| Sep | 1108 | 1064 | 1109 | 1075 |
| Dec | 1127 | 1085 | 1129 | 1096 |
| Mar | 1147 | 1103 | 1147 | 1122 |
| May | 1165 | 1116 | 1150 | 1150 |
| Jul | 1175 | 1125 | 0 | 0 |

**COFFEE "C" 37,500lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 92.61 | 90.06 | 93.30 | 89.50 |
| Jul | 94.30 | 91.88 | 94.70 | 92.00 |
| Sep | 96.33 | 93.75 | 96.40 | 94.00 |
| Dec | 98.27 | 95.75 | 98.40 | 96.10 |
| Mar | 100.75 | 98.75 | 100.50 | 98.75 |
| May | 102.50 | 99.88 | 0 | 0 |
| Jul | 105.00 | 102.75 | 0 | 0 |

**SUGAR WORLD "11" 112,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 15.48 | 15.79 | 15.70 | 15.46 |
| Jul | 15.47 | 15.72 | 15.65 | 15.46 |
| Oct | 14.97 | 15.20 | 15.12 | 14.94 |
| Mar | 14.09 | 14.19 | 14.12 | 13.98 |
| May | 13.92 | 14.05 | 13.92 | 13.86 |
| Jul | 13.86 | 13.86 | 0 | 0 |

**COTTON 50,000; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 69.86 | 70.02 | 70.49 | 69.81 |
| Jul | 70.46 | 70.42 | 70.90 | 70.21 |
| Oct | 65.90 | 66.05 | 66.50 | 65.90 |
| Dec | 64.42 | 64.65 | 65.00 | 64.40 |
| Mar | 65.40 | 65.40 | 65.70 | 65.40 |
| May | 66.01 | 65.90 | 0 | 0 |
| Jul | 66.05 | 66.00 | 66.10 | 66.10 |

**ORANGE JUICE 15,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 193.10 | 191.25 | 193.25 | 191.00 |
| Jul | 188.85 | 188.00 | 189.45 | 187.80 |
| Sep | 183.50 | 183.25 | 185.00 | 183.00 |
| Nov | 176.50 | 176.00 | 177.00 | 176.25 |
| Jan | 171.75 | 170.50 | 172.50 | 171.50 |
| Mar | 172.00 | 171.00 | 0 | 0 |
| May | 172.00 | 171.00 | 0 | 0 |
| Jul | 172.00 | 171.00 | 0 | 0 |

**INDICES**

**REUTERS (Base: September 18 1931 = 100)**

| Mar 21 | Mar 20 | mnth ago | yr ago |
|---|---|---|---|
| 1921.1 | 1910.6 | 1909.9 | 2002.4 |

**DOW JONES (Base: Dec. 31 1974 = 100)**

| | Mar 21 | Mar 20 | mnth ago | yr ago |
|---|---|---|---|---|
| Spot | 133.30 | 133.46 | 130.57 | 138.26 |
| Futures | 132.90 | 133.00 | 132.78 | 139.67 |

## Chicago

**SOYABEANS 5,000 bu min; cents/60lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 605/0 | 602/2 | 606/4 | 602/0 |
| Jul | 617/6 | 615/4 | 619/0 | 614/4 |
| Aug | 621/4 | 619/4 | 623/0 | 619/2 |
| Sep | 619/0 | 619/0 | 622/4 | 618/4 |
| Nov | 624/2 | 624/4 | 627/0 | 622/0 |
| Jan | 634/2 | 634/0 | 636/0 | 632/0 |
| Mar | 644/0 | 644/4 | 645/4 | 642/0 |
| May | 651/0 | 651/4 | 0 | 0 |

**SOYABEAN OIL 60,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 21.10 | 21.15 | 0 | 0 |
| May | 22.15 | 22.26 | 22.40 | 22.08 |
| Jul | 22.23 | 22.39 | 22.45 | 22.20 |
| Aug | 22.09 | 22.26 | 22.35 | 22.09 |
| Sep | 21.88 | 22.00 | 22.00 | 21.86 |
| Oct | 21.61 | 21.77 | 21.75 | 21.60 |
| Dec | 21.53 | 21.67 | 21.70 | 21.48 |
| Jan | 21.42 | 21.57 | 21.60 | 21.40 |

**SOYABEAN MEAL 100 tons; $/ton**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 176.3 | 173.9 | 176.8 | 174.7 |
| Jul | 180.2 | 178.1 | 180.7 | 178.7 |
| Aug | 181.8 | 180.2 | 182.0 | 180.8 |
| Sep | 183.3 | 182.0 | 183.8 | 182.5 |
| Oct | 184.0 | 183.4 | 184.5 | 183.7 |
| Dec | 187.3 | 186.5 | 188.0 | 186.8 |
| Jan | 189.0 | 188.0 | 189.3 | 188.0 |
| Mar | 192.7 | 192.0 | 0 | 0 |

**MAIZE 5,000 bu min; cents/56lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 259/6 | 257/2 | 260/6 | 256/6 |
| Jul | 263/0 | 261/6 | 265/0 | 261/4 |
| Sep | 259/2 | 258/6 | 261/4 | 259/2 |
| Dec | 257/6 | 257/2 | 260/0 | 258/6 |
| Mar | 263/0 | 262/4 | 264/4 | 262/0 |
| May | 265/2 | 264/2 | 267/0 | 264/4 |

**WHEAT 5,000 bu min; cents/60lb-bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 358/6 | 359/2 | 359/6 | 357/0 |
| Jul | 342/6 | 343/4 | 343/4 | 341/4 |
| Sep | 349/0 | 350/4 | 350/0 | 348/6 |
| Dec | 362/0 | 362/4 | 362/4 | 360/6 |
| Mar | 369/0 | 370/0 | 369/6 | 368/6 |

**LIVE CATTLE 40,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 76.92 | 76.52 | 77.17 | 76.65 |
| Jun | 72.27 | 71.85 | 72.55 | 72.05 |
| Aug | 72.05 | 71.67 | 72.22 | 71.87 |
| Oct | 73.65 | 73.60 | 73.90 | 73.60 |
| Dec | 74.05 | 73.95 | 74.20 | 74.02 |
| Feb | 74.12 | 74.05 | 74.30 | 74.12 |

**LIVE HOGS 30,000 lb; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 53.02 | 52.85 | 53.05 | 52.66 |
| Jun | 57.60 | 56.95 | 57.80 | 56.90 |
| Jul | 56.37 | 55.85 | 56.40 | 55.92 |
| Aug | 53.87 | 53.60 | 53.90 | 53.50 |
| Oct | 48.45 | 48.52 | 48.55 | 48.17 |
| Dec | 48.85 | 48.92 | 48.95 | 48.60 |
| Feb | 47.92 | 48.00 | 47.92 | 47.72 |

**PORK BELLIES 40,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 51.45 | 50.95 | 51.50 | 50.95 |
| May | 51.60 | 51.52 | 51.90 | 51.02 |
| Jul | 52.62 | 52.10 | 52.60 | 51.87 |
| Aug | 50.80 | 50.17 | 50.80 | 50.00 |
| Feb | 56.00 | 56.32 | 56.25 | 55.60 |
| Mar | 56.80 | 56.80 | 0 | 56.45 |

FINANCIAL TIMES

# SURVEY

**Scotland's expanding financial services sector claims to be the biggest part of the Scottish economy in terms of employment. But will these services be able to cope as the wider market for European services opens up, asks James Buxton, Scottish Correspondent**

# A wealth of expertise

IT IS not often that Scotland enjoys the sensation that it is doing better than England. But there is a whiff of that feeling in the air now – and not just because of Scotland's recent dramatic defeat of England at Murrayfield.

Though the economic news in the south is generally depressing, Scotland has yet to feel many of the effects of the downturn. Its unemployment is falling faster than that of other parts of the UK and its economic growth could this year outpace that of the UK as a whole, as it probably did last year.

This is partly because Scottish manufacturing industry is more oriented than the rest of UK industry towards exports and to making capital rather than consumer goods, while the North Sea offshore industry is flourishing again.

Many Scots have more disposable income than people in the south of England because they have smaller mortgages, or no mortgages at all.

The house-price boom is only now beginning to run out of steam in Scotland and prices have certainly not gone into reverse.

The Scottish economy has been transformed in the past ten years as much traditional heavy industry has largely gone, manufacturing has declined as a portion of gross domestic product and employment in services has swollen.

Now the Scottish financial services sector claims to be the biggest and fastest growing part of the Scottish economy in terms of employment. It now employs about 180,000 people – 30 per cent more than four years ago.

What makes Scotland unique compared with other financial centres in Britain, such as Manchester or Birmingham, is that it has the head offices of three indigenous banks – the Royal Bank of Scotland and the Bank of Scotland in Edinburgh, and the Clydesdale in Glasgow. These are the core of the financial system.

Apart from the banks, the first two of which are growing fast outside Scotland, Scotland's main function in financial services is money management, through the life assurance offices led by Standard Life and the independent fund managers. Between them they have about £80bn under management.

Then there are merchant banks and stockbrokers. Solicitors and accountants abound, as do members of other professions such as public relations, advertising, executive search specialists and management consultants – all of which have grown strongly in the past few years.

Yet Scotland's financial community, split between Edinburgh and Glasgow, with offshoots in Aberdeen and Dundee, lacks several things that financial centres elsewhere in the world have. There are no markets apart from a unit of the International Stock Exchange in Glasgow.

There are no financial conglomerates, unless one includes Royal Bank of Scotland, whose merchant bank, Charterhouse, is based in London. Merchant banking in Scotland, though growing fast, is still a modest affair; there are no market makers or commodity brokers and Scotland has the headquarters of only one substantial building society, the Dunfermline.

Nor are there the bars where teenage scribblers and barrow boys swap noisy gossip. Scotland is a place of quiet, cerebral people who do a solid day's work, usually without an excessively early start.

When it is over they are more likely to take the bus out to the suburbs or drive home to the countryside of East Lothian or of Strathblane than tarry in a wine bar.

Scotland, in short, does not produce either the excitements or the disasters that are almost the daily diet of London. Though Royal Bank's acquisition of Charterhouse has been a success, Bank of Scotland has no regrets that it eschewed a course that has led other banks into difficulties.

No annual report of the merchant bank Noble Grossart is complete without a swipe from its chairman Mr Angus Grossart at the mistakes the City has made since Big Bang.

Scotland prefers steady development. The Royal Bank of Scotland is creating what it hopes will be one of the leading life assurance companies in Britain in partnership with Scottish Equitable, under the imposing name Royal Scottish Assurance, and is building on its acquisitions in Spain, Portugal and the US.

Bank of Scotland, meanwhile, continues its stealthy, electronically-managed assault on the English personal finance market. The life assurance companies have thrived on the mortgage boom and personal pensions. The fund managers are reshaping: British Linen Bank has bought control of Dunedin; Baillie Gifford has forged a link with Toyo Trust & Banking of Japan; and Ivory & Sime has begun managing funds in the US and Hong Kong as well as Edinburgh.

Accountancy firms, both large and small, are digesting the consequences of the mergers of the past year, while the solicitors are gradually expanding into England while trying to resist the Government's attempt to remove their monopoly of conveyancing.

It's good – but is it enough? Some people think that the quality of life in Edinburgh and also Glasgow, and the lack of excessive stress compared with London, may be better at generating a thoughtful approach to managing money rather than aggressive expansion, though there are examples of both.

Will they be able to cope as the markets for European financial services open up in the next few years?

When Ewan Brown of Noble Grossart and Allan Hodgson of Hodgson Martin recently studied the question, they pointed out that although Scottish fund managers manage vast amounts of money, they are not well capitalised and could find it hard to compete against continental institutions, even in Britain itself.

The life companies, they said, are "shackled" by their mutual status (though that has not stopped Scottish Provident buying companies in Greece and Spain).

They concluded that Scotland's best hopes lay in developing its venture capital expertise, bringing in large sums from North America to deploy across continental Europe at a time when venture capital investment, management buy-outs and buy-ins become more popular there. Scotland's merchant banks and some of its fund managers, as well as its lawyers, could be well-placed for this.

They do not have a tremendous amount to cut their teeth on in their home market, however. Scotland does not produce as many new business ventures as some other parts of Britain, a fact which arouses fears that Scotland's indigenous economy is not regenerating itself strongly enough, although branch factories and the spread of business moving from the south ensure growth.

Any ventures on the continent will require better transport. Scots are very worried about the slenderness of proposed rail links to the Channel Tunnel.

Direct air services to the continent are still sparse, though growing. But the Government is at long last allowing flights between Scotland and North America to use Glasgow and Edinburgh rather than the ill-located Prestwick.

There are other constraints. There is a serious shortage of office accommodation in the centre of Edinburgh, due to past short-sighted policies by the city's local authority. Although those policies have been decisively reversed it will be the mid-1990s before central Edinburgh has office space in abundance.

Meanwhile, Edinburgh could well have lost out on financial services companies relocating from the crowded south.

Glasgow, meanwhile, is in the midst of stylish redevelopment of its city centre, but has yet to land any big relocation projects in the financial sector.

Scotland has only one big development of that kind in the pipeline: Crusader Insurance is moving its headquarters from Surrey to Greenock on the Firth of Clyde, creating more than 300 jobs.

Another brake in the 1990s could be shortages of labour as the number of young people on the labour market declines. Last year, Bank of Scotland took 17 per cent of the academically qualified non-graduates in the Edinburgh area.

"If you extrapolate our growth rate we will need 57 per cent of them by 1993/94," says Mr Peter Burt, chief executive of the bank. "And so, probably, will the Royal Bank and Standard Life."

These institutions may have to recruit in other parts of Scotland – or consider other locations.

Finally, there is the continuing uncertainty about Scotland's constitutional future. The Labour Party is committed to giving Scotland an assembly or parliament with tax raising powers if it comes to power at the next general election. The Scottish National Party wants Scotland to become an independent country in the European Community.

Only the Conservative Party, which won only 10 of the 72 Scottish parliamentary seats at the last general election and stands at only about 20 per cent in the opinion polls, wants to keep the status quo.

As Labour rises in the opinion polls, the possibility of a Scottish assembly becomes stronger. It is difficult to find many enthusiasts for it among the leaders of the Scottish financial community.

Professor Jack Shaw, executive director of Scottish Financial Enterprise, the financial community's lobbying and promotion organisation, believes it would penalise business through higher taxation.

He also thinks that once Scotland had its own parliament it would lose influence at Westminster and be marginalised. Much better, he believes, for Scotland and other outlying parts of Europe to find collective ways of making their influence felt in their own capitals and in Brussels.

Some people in the Scottish financial community believe Scotland would be better off with full independence, though very few of them say so in public.

They think that a Scottish parliament would be a half-way house leading to permanent conflict with Westminster and that full independence would mean that Scotland no longer approached London as a supplicant.

They also hope that, in due course, it would move Scotland away from socialism.

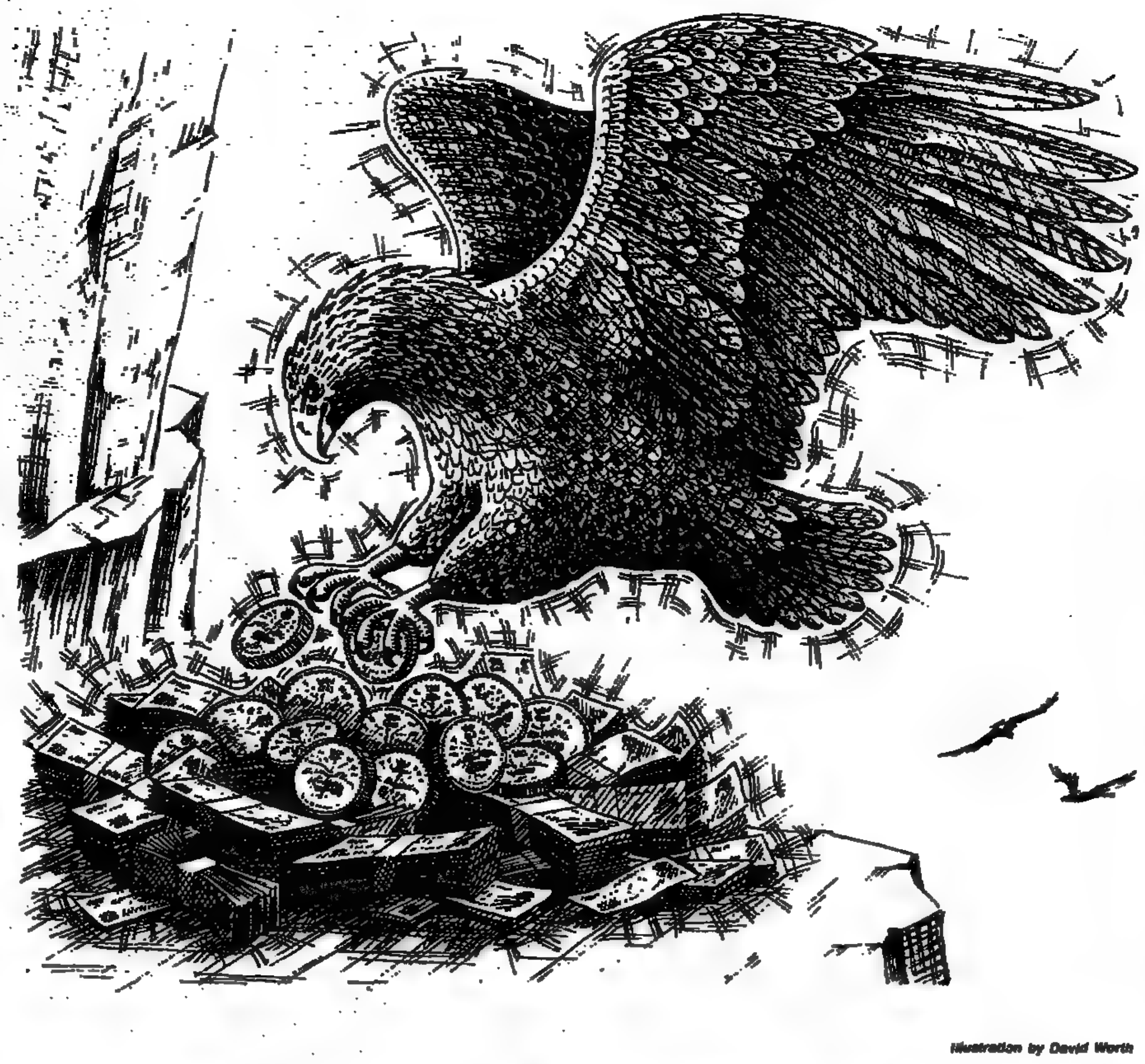


Illustration by David Worth

# Scottish Financial and Professional Services

## FORTHCOMING FT SURVEYS

**A NUMBER of FT surveys this year will have themes relating to Scotland. They include:**
- **Scottish Tourist Industry, to be published on Monday, May 21, 1990.**
- **Property in Glasgow, to be published in October.**
- **Scotland - survey to be published in December.**

*Editorial synopses for the above surveys can be obtained from. The Financial Times, Number One, Southwark Bridge, London, SE1 9HL. Telephone: 01.873.3337. (direct line to Helen Martin).*

*Copies of previous surveys are available from the FT Back Copies Department, in London, telephone 01 873-4684. The dates of recent FT regional surveys which have focused upon Scotland are:*
- *May 30, 1989: Scotland's Central Region.*
- *December 15, 1989: Scotland*

BANKING

# The networks widen

ON A sunny Friday a few weeks ago, Royal Bank of Scotland Group rushed out two announcements. One told how its recently purchased bank in New England, Citizens Financial of Rhode Island, had agreed to buy a bank in Worcester, Massachusetts.

The other said that the Royal was taking a 20 per cent stake in Banco de Comercio e Industria, a privately-owned bank in Portugal. Banco Santander of Spain, the Royal Bank's partner in continental Europe, was increasing its stake to give the Spanish and Scottish banks control. The cost of the two transactions was £137m.

The transactions were extensions of the overseas links which the Royal Bank Group forged in 1988 when it acquired Citizens Financial and, in the same year, established a cross-shareholding link with Banco Santander.

This gave the Royal some access to the Spanish market, an involvement through Santander subsidiaries in West Germany and Belgium, and, probably most important, some security against predators through Santander's 10 per cent stake in the Royal which cannot be sold or voted without the Royal's consent.

It appeared that the Royal Bank Group had stolen a march on its rival the Bank of Scotland which narrowly failed to acquire a Texas bank last year because of its very prudent approach and has shown no haste to make inroads into continental Europe, believing the banking markets there to be either oligarchic or over-fragmented and the prices of potential acquisitions excessive because of 1992 "hype."

The Royal Bank Group has in other ways cast its net wider than Bank of Scotland. Last autumn it announced a joint venture in life assurance with Scottish Equitable which is now beginning to take shape.

Unlike Bank of Scotland, it followed the classic Big Bang path by purchasing a merchant bank, as well as a broker. Unlike moves by some banks, the acquisition of Charterhouse has proved a resounding success.

Could all this mean that Bank of Scotland is slipping behind in the race between the two larger Scottish banks?

Both primarily look south of the border to expand, since the Scottish market, of which each may have about 40 per cent in terms of advances, is not big enough for them. But while the Royal has 350 branches in England and Wales, Bank of Scotland has only 16 regional branches there and relies for

**The Royal Bank Group and its rival, the Bank of Scotland, both primarily look south of the border for expansion**

expansion on such products as its Home and Office Banking System (HOBS), and on a variety of joint ventures with organisations such as the Halifax building society and the Automobile Association.

Bank of Scotland claimed last year that 45 per cent of its borrowers are now in England and Wales, while it reckoned to have 4.25 per cent of the UK retail banking market.

Mr Peter Burt, its chief executive, says: "Analysts keep saying we will soon go ex-growth, but our share is still so small that I don't see why it shouldn't expand to about double that in a few years."

Bank of Scotland also has, relatively speaking, the largest mortgage book of the other UK clearers, all processed from Edinburgh. That could now be a two-edged sword but Mr Burt says that he is concerned about the level of arrears, more from the point of the view of the borrower than of the bank.

"It's the most damaging form of domestic problem: if you lose your house, you've really got difficulties," he says.

As to Bank of Scotland's further expansion possibilities, Mr Burt says: "Given our rate of growth in the UK, it's very hard to say to our staff that we will use the bank's capital to make an overseas acquisition which will earn a six per cent return, despite the fact that you could make 20 - 25 per cent. I don't think that if we bought a bank in Frankfurt we would necessarily run it any better than it's being run now."

He envisages expanding in continental Europe through joint ventures with established organisations, as it has in England. There are obvious possibilities for exploiting the relatively under-developed Italian and West German credit card markets using Bank of Scotland's Visa processing centre at Dunfermline (which is already being expanded from 700 to 1,200 employees).

Significantly, the bank has bought a very small stake in an Italian credit card processing company.

Over in Glasgow, the Clydesdale Bank is still enjoying the euphoria which began in 1987 when it emerged from under the dead hand of Midland to be purchased by National Australia Bank, which has improved its performance by making stealthy rather than traumatic changes. Mr Richard Cole-Hamilton, chief executive, and his senior lieutenants are still in charge as they were under Midland. NAB has only three Australians working in Clydesdale, a general manager of strategic projects who has a co-ordinating role at head office, and two other executives in line management.

The bank has been divided into three profit-accountable divisions for retail banking, corporate and international banking and financial services. The pay-off came last year when the bank made pre-tax profits of £58.7m for the year to September 30 1989 — an increase of 48 per cent. But NAB has scaled down its ambitions for Clydesdale, which operates almost entirely in Scotland.

When it took over it said Clydesdale would be the "spearhead" for NAB's assault on the English and later the European market. Subsequently, Clydesdale talked about buying an English building society. But last year Clydesdale made clear that NAB's expansion in England would be largely separate from the Scottish bank.

NAB's purchase of Yorkshire Bank in January did not involve Clydesdale and it would be NAB rather than Clydesdale that bought a building society.

Other Scots bankers acknowledge that the revival of Clydesdale has been good for them by sharpening up the competition. Clydesdale is reckoned by analysts to have about 15 per cent of the Scottish market in terms of advances. The mood at TSB Bank Scotland head office in Edinburgh could not be described as one of euphoria.

The bank, whose Edinburgh headquarters is named after Henry Duncan, the Scottish founder of what is now TSB, has lost some functions in TSB's recent reorganisation.

Though Edinburgh has had its responsability extended to the northeast of England including Yorkshire, functions it previously handled such as marketing, personnel, finance, audit and estate agency are now controlled centrally.

It is expected to lose 290 jobs as a result of restructuring and efficiency improvements, but 350 new jobs will be created by moving to Scotland all mortgage processing, the international department and central advances sanctioning.

That may seem logical enough to those who felt TSB group's previous structure too decentralised and cumbersome but it weakens TSB Bank Scotland's continued claim to be "an independently-managed bank within the group."

In February, Mr Eric Wilson, chief executive in Edinburgh, resigned for health reasons to be replaced by Mr Charles Love, previously head of TSB's banking services. Since then, two other senior executives have resigned. Yet the Scottish bank, which claims 24 per cent of the Scottish market in terms of deposits, has performed well, increasing its pre-tax profits by 21 per cent in 1988/89 to £46m before extra provisions.

Mr Love points that its advances increased by a third in 1989 to £1.2bn while deposits were up 6 per cent at £1.9bn. TSB's £800m mortgage book is, he says, the largest in Scotland. The priorities, he says, are to increase income and reduce costs.

The siting of some branches is being reviewed and others are being made more user-friendly with fewer screens. Continued play is being made to attract business customers. In what some consider an over-banked market it may seem surprising that new competitors are moving in: while National Westminster is probably the leading English bank in Scotland (flanked by Barclays and Lloyds), Midland has recently moved back into Scotland which it left when it sold Clydesdale.

It has taken over the Edinburgh office of its subsidiary Hongkong & Shanghai Bank and aims partly to meet the needs in Scotland of its English-based customers.

Meanwhile, the small corps of foreign banks has been increased with the arrival in Edinburgh of Sanwa Bank, Japan's fifth largest. Citibank has a niche business providing Scottish institutional investors with global trustee and custody work, holding £6bn of funds for leading institutions, including Scottish Provident.

**James Buxton**

INSURANCE

# Questions on mutuals

CONVENTIONAL wisdom holds that among those badly hit by the Financial Services Act will be the Scottish mutual life assurance companies. They are seen as particularly vulnerable because of their reliance on independent insurance brokers or financial advisers, much reduced in number by the Act, to sell their products.

Moreover, as mutuals without shareholders, the companies grouped around St Andrew's Square in Edinburgh are ill-placed to raise capital.

This puts them at a disadvantage as the production and sale of life insurance in the UK and Europe is expected to change radically in the 1990s. Short of capital, the mutuals will be at a competitive disadvantage.

Both these predictions may turn out to be true, but so far the Scottish mutuals have stood up well to changes in the life insurance industry.

"Currently, we are not feeling the squeeze," says Mr Roger Knowles, marketing manager at Scottish Provident.

Buoyed up by business flowing from the housing boom in 1988 and the switch into personal pensions in 1989, many of the mutuals are happy to spend 1990 absorbing business already done.

In the longer term, however, the small and medium-sized mutuals are likely to have a declining share of the market because of difficulty in distributing their product.

Yet this is not necessarily the consequence of being mutuals, rather than proprietary companies.

The real question is one of size: the smaller proprietary and mutually-owned companies are both likely to see an escalation in their unit costs which they will find it difficult to sustain.

For companies such as Standard Life Assurance, the largest mutual in Europe, the future is much more secure. Among UK insurance companies, only Prudential group is bigger. With 2m policy-holders it has some £17bn in funds under management.

In the immediate aftermath of the Financial Services Act, Standard Life and Scottish Widows, another Scottish mutual, were in the forefront of the Campaign for Independent Financial Advice (Camifa), all pledged to rely exclusively on independent financial advisers. In the event, the rearguard action failed. At the end of 1988, Norwich Union, the mutual life insurer, abandoned its reliance on independent advisers and brokers.

Last year, Standard Life was compelled to follow the same course. In March, it announced a link up with the Halifax, the largest UK building society with 800 branches, and in July

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**PATRICK COCKBURN**

the Bank of Scotland, of which Standard life is the largest shareholder, became its tied agent. Both agreements have enormous advantages for Standard Life, above all through the flow of mortagage endowment business from the Halifax.

Mr Scott Bell, managing director of Standard Life, says that 70 per cent of his company's business is still distributed through independent agents — "we do all we can to buttress their position in the market place," he says.

But with other life insurers and composites all looking to secure their own distribution networks, Standard life had little choice but to look outside the independent sector.

Other Scottish mutuals face similar problems but have greater difficulty in securing their distribution network. Scottish Provident, for instance, says it has virtually no communication with its customers, who are most heavily concentrated in the south-east of England. It remains entirely dependent on the 5,000 independent financial advisers who sell its products.

Mr David Berridge, Chief general manager at Scottish Equitable, says that his company's orientation towards pensions, makes its easier for it to rely on independent intermediaries.

The company's main initiative in finding other ways of distributing its product is a joint venture with the Royal Bank of Scotland which has access to the bank's customer base. Scottish Equitable provides management, investment and administrative services.

The boom in endowment mortgages and pensions in 1988 and 1989 has postponed the day of reckoning for medium-sized mutuals. Scottish Equitable gained market share and by 1988 its new annual premiums were up 60 per cent on the previous year. This has placed a heavy administrative burden on all the companies.

Standard Life, which has doubled its staff in Edinburgh to 3,000 over the last three years, had its staff working week-ends and overtime to cope with the flood of business last year. Mr Scott Bell says:"In the month before April 1, we wrote 175,000 policies — double what we expected." Along with other life insurers, Standard Life was surprised by the inclination of people to take advantage of the Government's offer.

Given its size, Standard Life is under no pressure to demutualise, one option open to mutuals who believe they will be squeezed in the 1990s. So far, the tiny Glasgow-based FS Assurance, with 34,000 policy holders, is the only Scottish mutual to have taken this course. Last August, policy-holders voted to accept a £14m offer from Britannia Building Society to make FS Assurance its wholly-owned subsidiary.

Other small and medium-sized life insurers may feel the same temptation. Another option would be for demutualisation to be followed by a stock market float to raise fresh capital, allowing a company taking this course to enter new business or make takeovers.



Banking profile: Adam & Co

# First of a new crop

ADAM & Co was the first of the new crop of banks which have grown in the 1980s as many customers find the big clearers increasingly impersonal and homogenous. It opened its doors in Charlotte Square, Edinburgh, in 1984 to cater for the banking needs of high net worth individuals.

Now it has a branch in Pall Mall in London and one in Glasgow. It has grown consistently: advances reached £44.7m at the end of last year, while deposits were £125m. Pretax profits have climbed from £51,000 in 1985 to £814,000 in the year to June 30 1989.

"We're now big enough to think seriously about how our business will grow in the next five years," says James Laurenson, the bank's managing director and deputy chairman. "We now have to be more disciplined."

Adam & Co is a privately-owned company which arose out of an initiative by people in the Scottish financial community, including Sir Iain Noble, one of its most creative figures, to build a new Scottish bank.

It offers its customers a more personal banking service, as well as a fund management service, and is increasingly taking on small corporate clients. A private banking customer receives a monthly statement detailing all his transactions as well as an analysis — which the bank says is unique — of his income and expenditure. It was one of the first banks to offer interest on current accounts and a £250 cheque guarantee card.

Every client has his personal account officer, an experienced banker who looks after all his affairs — "we no longer have to market ourselves on special products, but on the quality of our service," says Mr Laurenson, adding that charges are not exorbitant. "We are still a relatively cheap bank."

"I hope that we're smart, without going over the top," says James Laurenson.

The bank also hopes to manage the customer's share portfolio through its investment management service — "we would like our clients to be able to come in and meet their bank manager and their investment manager at the same time," says Mr Laurenson, who came to Adam & Co from Ivory & Sime, the fund managers, across Charlotte Square.

He sees the banking and the investment management services as twin arms of the business, either of which might bring in customers for the other. Though the economic downturn and high interest rates have altered the background for the business, Mr Laurenson says new customers keep coming forward.

"There are a lot of people inheriting large sums or earning very big salaries; and there are still people disgruntled with the service they get from the clearers," he says.

But he rejects the suggestion that Adam & Co is a luxury bank. "I hope that we're smart, without going over the top," he says. "There's more intimacy here, rather than luxury."

Private customers are not the only source of business. Adam & Co runs a treasury and foreign exchange operation, catering in particular for businesses with turnover of about £500,000 which may be too small for the clearing banks. It lends to corporate clients, usually against up to 50 per cent of the value as bought of an asset such as a hotel or building. The bank would like to increase its lending as fast as its deposits have grown.

"We are getting past the experimental stage," says Mr Laurenson. He says Adam & Co is now getting work from several of the large law firms in Edinburgh, who initially waited to see how the new arrival developed.

Remarkably, the discretionary investment management operation has doubled its funds under management to £60m in the past six to eight months alone, with money coming from individuals with £500,000 or above, as well as charities and trusts. It has recruited staff to build up the fund management business in London.

The company also provides a custody operation, already handling customers such as Murray Johnstone's private clients' business and administering PEPs — notably for the Edinburgh stockbroker, Torrie & Co.

While the bank begins pondering its future strategy there are now plans for opening further branches — "In Scotland you have to be in both Edinburgh and Glasgow, but the Pall Mall branch is succeeding in getting business from the English Midlands," says Mr Laurenson.

**James Buxton**

MERCHANT BANKING

# Diversity of operations

"IT WAS a wonderful sight to behold," said Mr Ian Jones, one of the two men who run Quayle Munro, a tiny merchant bank in Edinburgh.

The sight was of a couple of thousand skiers moving like ants one recent sunny Sunday across the flank of Aonach Mor, a mountain close to Ben Nevis.

Mr Jones can take much of the credit for creating the company which built the ski lifts and launched Aonach Mor as Scotland's new skiing centre, in the face of a variety of setbacks and a considerable amount of scepticism.

The Nevis Range Development Company, in which Quayle Munro has a 15.7 per cent stake through its investment company East of Scotland Industrial Investments, opened late last year.

It is a good example of the diversity of operations now tackled by Scottish merchant banks. Quayle Munro is one of the more ambitious of the smaller fry in that fraternity.

Founded in 1983 and employing only about 15 people, it advises and if necessary invests in a number of growing companies in Scotland: its particular coup was to help recreate Shanks & McEwan as a waste disposal company, and later launch it on the stock exchange.

It has also moved into a more senior league by becoming adviser to the Scottish Office on the privatisation of the Scottish Bus Group, and also on the disposal of the investment portfolio of the Scottish Development Agency.

But it suffered a setback last month when an attempt by East of Scotland Industrial Investments to take over Saltire Insurance Investments, an investment trust managed by Hodgson Martin, another Edinburgh finance house, failed.

Merchant banking in Scotland has grown noticeably in the past few years as Scottish companies have become more ambitious and more of them have realised that London does not have a monopoly on expertise in corporate finance.

Until the creation of Noble Grossart – just before the 1970s – there were no merchant banks in Scotland at all. Even now, people still look to Noble Grossart as the archetypal Scottish merchant bank. It operates from two elegantly refurbished adjoining Georgian houses in Queen Street; it prides itself on still employing only 20 people; and it is an

Ian Jones: confounded the skeptics

extraordinary magnet in attracting some of the best corporate finance business in Scotland. It is still very much the business of Mr Angus Grossart, its chairman, and co-founder – his original partner, Sir Iain Noble, left it at an early stage. But Mr Grossart's determination to keep the bank small is not one that every other Scottish merchant bank wishes to emulate, or even necessarily admires.

Along in Melville Street is EFT, formerly known as Edinburgh Financial Trust, which in its present form was created by Mr Hamish Grossart, Angus Grossart's nephew, and his former partner Mr Hamish Barry (who left the chairmanship to join Castleforth, another financial company.

EFT, which unlike Noble Grossart is quoted, is shaping up as a mini-financial conglomerate with ambitions to go much further than Scotland. It has a corporate finance operation in Edinburgh,and an asset finance company and an investment management company in Glasgow.

EFT is in a sense a spin-off from Noble Grossart in that Messrs Grossart and Barry were originally with that company, as was Mr Peter Stevenson who became chairman last year. Hamish Grossart says that EFT's issuing house is increasingly getting business from larger companies without having to expand its core corporate finance team of six people: last year, for example, it advised Apollo Window Blinds of Glasgow on the sale company to Ashley Group for a performance related price of up to £54.8m, and helped Barbour Campbell, a Northern Ireland company, buy itself out of Hanson for £25.8m. Fee income from corporate finance was up by 26 per cent last year.

"The size of transaction that we are seen to be capable of handling is continually going up," says Mr Grossart. "In terms of skill base we have as good a team as any in Scotland."

EFT Finance, the asset finance subsidiary, improved its contribution to group pre-tax profit by 208 per cent last year, but *Glasgow* Investment Managers' assets under management fell in 1989 because of EFT's sale of its 47 per cent stake in City of Edinburgh Life Assurance, a decision which involved EFT taking a substantial loss.

Because of this transaction EFT's pre-tax profits were up only seven per cent in 1989 at £1.31m. But the ambitions remain strong. EFT is always on the lookout for teams of people in related areas of finance which could bring expansion in terms of functions and/or geography – establishing a London presence is always at the back of the company's mind.

Just along the street from EFT is British Linen Bank where Mr Eric Sanderson, chief executive since last year, is blooming with confidence. BLB is a fully-owned subsidiary of Bank of Scotland and operates across a wide spectrum, from corporate finance leasing, as well as fund management.

It is much larger than EFT, with offices in Manchester, Chicago and Jacksonville, Florida. In the 1988/89 year, pretax profit was £10.22m, a rise of 19 per cent. Last autumn BLB merged its fund management operation, British Linen Fund Managers, with Dunedin Fund Managers, another Edinburgh group.

BLB now has 50.5 per cent of Dunedin, while Dunedin manages all the assets, worth about £3bn. Mr Sanderson says he is puzzled by suggestions, made by some observers, that BLB is a missed opportunity in the Scottish financial scene, rarely hitting the headlines and not perhaps being as aggressive as it might be.

He points to a number of significant corporate finance deals the company has been involved in, not all of them in Scotland, and alludes to a submerged iceberg of deals for private companies. But he admits: "We don't seek a high profile. We don't want to detract from the client who does the deal."

He also says that being part of the Bank of Scotland group can necessitate taking a lower profile in some deals than BLB might otherwise have done if it were on its own.

"We're careful not to embarrass our parent company in anything we might undertake and to avoid a potential group conflict of interest," says Mr Sanderson. "We believe quite sincerely that it would be wrong to embarrass a long-standing customer of the group."

In saying this, he may have an eye to the Royal Bank of Scotland Group where the aggressiveness of its merchant bank Charterhouse has sometimes pained long-established Royal Bank customers.

BLB is heavily engaged as the Scottish Office's adviser on the privatisation of the two Scottish electricity companies, where it works with BZW. It is also investing in a cable TV company for Edinburgh, Cablevision Scotland, and is in a consortium with Trafalgar House in tendering to build a bridge across the Kyle of Lochalsh to Skye.

**James Buxton**

Some observers think that the quality of life in Edinburgh (above) and also Glasgow, and the lack of excessive stress compared with London, may be better at generating a thoughtful approach to managing money, rather than aggressive expansion – though there are examples of both.

Profile: Noble Grossart

# Small but powerful

"WE are very selective and very self-disciplined, and we don't spend time on speculative business," says Ewan Brown, second-in-command to Angus Grossart at Noble Grossart. "We are very rigourous when a project comes through the door."

Mr Brown is explaining how Noble Grossart succeeds in coping with a large number of clients and corporate finance deals without getting indigestion or having to expand beyond the tight little operation that it wishes to remain, *writes James Buxton.*

Over the past two years it has sometimes seemed that Noble Grossart was involved in just about every corporate finance deal of consequence in Scotland. That is an exaggerated impression, of course, since apart from the relatively few deals which went to other Scottish merchant banks, other Scottish companies have advisers in London.

**Busy year**

Nevertheless, among the many things Noble Grossart did during 1989, were:

- Organising a multi-million pound rescue of Rodime, the Scottish electronics company.
- Advising Scottish & Newcastle on its defence against the bid from Elders IXL.
- Helping create Balmoral International and organise its unsuccessful attempt to gain control of Norfolk Capital.
- Handling a private placing for Stagecoach, a fast rising Scottish bus operator.
- Advising Lilley in its ultimately unsuccessful bid for Tilbury.

In addition, it took on about a dozen new clients including Dawson International, Drambuie, Havelock Europa, Miller Homes, Christian Salvesen, Grampian Television and an unnamed mutual life assurance company.

It remains an adviser to Mr James Gulliver though, during the year, A. Goldberg, the threatened Glasgow stores group, switched from Noble Grossart to N.M.Rothschild.

Noble Grossart is also joint-adviser with Samuel Montagu to the South of Scotland Electricity Board, soon to be privatised as Scottish Power.

The merchant bank is thus a notable concentration of power in Scotland and a vivid illustration of how small and interlocking the Scottish financial and business establishment is.

Mr Grossart, now 52, is chairman of Edinburgh Fund Managers and Scottish Investment Trust, a director of the Royal Bank of Scotland and of several investment trusts, and chairman of the board of Trustees of the National Galleries of Scotland. He is on the board of Scottish Financial Enterprise, the body formed partly at his own instigation to seek a higher profile for the Scottish financial community.

"One reason why they get so much business is that many of Angus Grossart's contemporaries are now getting to the top of their companies," says one follower of the bank.

"When they want an adviser they almost automatically turn to Noble Grossart."

Mr Brown says that even in high activity years, Noble Grossart has no problem in processing the work through the business, helped in part by new technology which enables rapid preparation and transmission of documents.

Thus, staff numbers are kept down to 20. Mr Grossart himself, aided by Mr Brown, Mr Graham Watson and Mr David Mathewson, are the key players in the business.

When recruiting senior staff, Noble Grossart is likely to take someone with a chartered accountant's qualification and a good general degree than a raw recruit from Cambridge with a first in history.

By insisting on remaining small, Noble Grossart has deliberately eschewed the possibility of creating a more imposing group with operations in such related fields as asset finance, investment banking (although Noble Grossart does have a small investment role through Noble Grossart Investments) and fund management.

**Vindication**

Mr Grossart has always maintained that London made a big mistake in setting up the financial conglomerates which emerged with Big Bang and he has in many ways been vindicated. But it is difficult to believe that if it were based in London Noble Grossart would have been able to corner so much high-quality business without expanding, if only to achieve a higher profile.

As it is, there are those in Scotland who believe that by insisting on remaining small, Noble Grossart is depriving Scotland of what might have become a much more substantial force in financial services.

The bank does not disclose its turnover but proudly points out that it has increased its pre-tax profits and shareholders' funds every year for the past 21 years.

STOCKBROKING

# Innovative developments

A MODERN dealing room on the upper floor of a mews house in Edinburgh's West End is the scene of one of the more innovative developments now taking place on the Scottish stockbroking scene.

Roderick Sutherland and Partners, which began operating last autumn, is notable first for being a new stockbroking firm founded at a time when mergers and takeovers continue to reduce the number of independent stockbrokers north of the border.

But, more important, as a broker specialising in executing deals on behalf of institutional clients, it is bringing to Scotland a type of operation which formerly barely existed outside London.

Roderick Sutherland executes deals for clients both on the International Stock Exchange in London and on Wall Street, through a direct link to a firm on the floor. It is also establishing a link with a Japanese brokerage house to operate on the Tokyo market.

Mr Sutherland, who founded the company with some associates, was previously responsible for equity trading at Ivory & Sime, where he became convinced of the opportunity for his type of operation in the post Big Bang world.

Though Scottish fund managers control about £80bn worth of funds and thus constitute an obvious market, he is also trying to build up a trans-global network of trading for institutions in London, New York, Tokyo and elsewhere.

"We're not here just to satisfy local demand," he says. While Edinburgh provides relatively low overheads, screen trading means that Sutherland's business could theoretically be based almost anywhere. Another part of the business will be marketing research from specialist research firms, sharing commissions with them – a practice known as soft research, though Mr Sutherland prefers

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JAMES BUXTON

to call his company a provider of independent research services – "by separating research and execution, the research firm is untainted by direct contact with the market," he says.

His company has raised £1m in equity from its management, external investors and Meridian Bancorp, a US bank from Pennsylvania, which has 22.5 per cent. Sutherland envisage placing a British executive with its so-far unnamed Japanese partner who will not only oversee the execution of Sutherland's orders but also try to drum-up business for the company in Tokyo.

The only other institutional stockbroker in Edinburgh is James Capel, whose office, founded in 1987, concentrates on futures, options and convertibles, as well as on quantitive research and investment trusts. Other Scottish stockbrokers, however, deal principally with private clients, though with a sprinkling of institutional business as well. Their numbers, however, are declining.

A year ago Mr Derek McIntosh, managing director of Bell Lawrie, then the biggest Edinburgh firm, said in a survey: "We intend to remain independent." Last November, however, Bell Lawrie was acquired for a reputed £15m by Robert White, another Edinburgh stockbroker which is part of TSB Group.

The two firms will be merged into Bell Lawrie White, which comes into existence in May. It is not a development that has been universally welcomed in the Edinburgh financial and professional community.

Robert White was formed only in 1988 out of the private client department of Wood Mackenzie when Hill Samuel, having been taken over by TSB, sold the bulk of Wood Mackenzie to County Natwest. It took the name of Robert White from its best-known, but not its most senior, partner.

The takeover of Bell Lawrie means that instead of there being two substantial private client stock brokers in Edinburgh there is now only one.

The number of smaller stockbrokers had already been reduced in 1989 when Bell Lawrie acquired the Edinburgh offshoot of Alexander Laing & Cruickshank, which prior to Big Bang was Wishart Brodie.

Mr McIntosh now says: "We needed a substantial partner to take us into the new decade, to provide the funds to acquire other firms. There will be room in the new world of stockbroking for the very small niche player, but we were in the middle and had to get bigger to survive. The competition will build up and we wanted to be competitive."

At one stage it was mooted that Bell Lawrie would be bought by British & Commonwealth, whose Stock Group owns Campbell Neil, the Glasgow brokers. But while that would have avoided concentration in Edinburgh, it would also have entailed Bell Lawrie losing its back office functions to Glasgow. As one broker commented: "Once you lose control of your back office, you lose control of everything."

Now the partners in the Edinburgh alliance are working out how best to rationalise their activities, which are divided between two offices, both of which each company only recently moved into.

The combined company, of which Bell Lawrie is much the bigger component, will have funds under management of about £3m, and offices in several towns in Scotland as well as Cardiff.

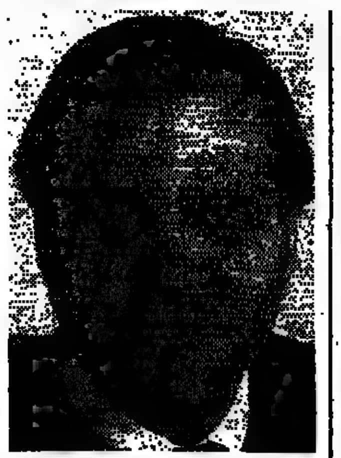
One Edinburgh firm which could benefit from the creation of Bell Lawrie White is Torrie and Co, a specialist in private client broking with four partners which shows every intention remaining independent.

It only moved to Edinburgh from Dunfermline across the Firth of Forth in 1979. Torrie is aggressively developing its private client business and has made a successful play for dealing cheaply and efficiently in issues such as water privatisation and the Abbey National flotation, marketing its services widely outside Scotland.

John Torrie, the terrier-like senior partner, does not see many new entrants to stockbroking being prepared to bear the ever-increasing compliance costs of setting up in business.

In Glasgow, the leading force is Allied Provincial Securities, a melding of 29 regional stockbroking offices from all over Britain which claims nearly a tenth of the UK private client market and employs 800 people. The Glasgow office, based on Parsons Penney, has one of the two processing centres of the company. Apart from the formerly independent firms Allied Provincial's shareholders are James Capel and Postel, the Post Office pension fund, which each have 24 per cent stakes.

Allied Provincial, run by the energetic Mr Bernard Solomons, the chairman, looks set to become one of the major players in British private client stockbroking as the investor continues to abandon London. It also has a growing business in corporate finance.



Roderick Sutherland: "We're not here just to satisfy local demand."

Fund managers and investment houses

# Strong yet vulnerable

FUND MANAGERS based in Edinburgh and Glasgow have many advantages over their rivals in London or any other City in Europe. They work in pleasant surroundings, in offices which cost a lot less to rent than those in other financial centres, and they inherit a long tradition of investment expertise. Moreover, many have resisted the urge to go public or be bought out and so remain independent.

These factors mean that the Scots fund managers are in a good position to attract staff, disillusioned by the unpleasant conditions of Wall Street or the City of London, and clients who are worried by turmoil in the securities industry. Week by week, there are stories of big financial services conglomerates coming apart at the seams and the stability of the independent Scottish investment houses ought to be beguiling by comparison.

Scots investment houses are in a strong position, but they are also vulnerable. Their very independence makes them highly desirable to those big securities houses which want to bolt on a fund management business: look at what happened to their English equivalents last year, GT Management, Foreign & Colonial Management, Guinness Mahon, Prolific, all of which ended up with European parent companies.

Scottish fund managers which have the misfortune to be listed, or those owned by listed investment trusts, have gone to great lengths to preserve that independence – or to lose that independence in the most friendly way possible.

Thus, for example, British Linen Bank, the merchant banking arm of the Bank Of Scotland, took 50.5 per cent of Dunedin last summer in a complex £30m transaction. Back in December 1988, Edinburgh Fund Managers did a deal with the British Investment Trust, 85 per cent owned by the National Coal Board Pension Funds, after losing control of the £126m Crescent Japan investment trust. Ivory & Sime, the grand old man of the Scottish investment scene, has also made itself takeover-proof.

Being vulnerable to takeover is just one weakness. The other is that the Scots fund managers, for all their venerable history, are not very big players in the pension fund game when compared to the likes of Mercury Asset Management.

The Scots firms do well: in a recent survey by *Financial Weekly* Martin Currie came second in the poll, growing its

Some investment houses are vulnerable to takeover

pension fund money by 34.8 per cent over 1988-89. If Scottish managers, standing somewhere between true boutiques like GMO Woolley and the MAMs of this world, are big enough to win large chunks of business, but they can also lose large lumps of money. The most spectacular example of this was Martin Currie's loss of a near-£300m of British Rail pension fund money, won in January 1987 but removed from them in July 1988.

The competition to manage pension fund money is fierce and margins are thin. The unit trust business, which provided enormous profits for many of the more nimble Scots houses in the run up to the October 1987 crash, is not quite the gravy-train that it was. Investors have fought shy of what they now see as risky investments with high front-end charges, even though virtually all unit trusts did better than the the building society last year.

The investment trust business has enjoyed something of a revival in recent years, but despite successful new launched (for example, from Ivory & Sime) that alone is not enough to sustain vigorous growth for the Scottish industry. Some of the firms have set about marketing new unit trusts; others have set about repackaging their existing funds in different guises. Some have also started forging links overseas, or developing altogether different specialisations, like venture capital in the case of Murray Johnstone.

Ivory & Sime has in recent years been dogged by poor performance and defections of senior staff. David Ross, managing director, is frank about the past problems, pointing to the fact that pension fund money under mangement built up to £1bn between 1979 and 1985 subsequently fell to £500m between 1985 and 1988. Overseas business has replaced that, says Mr Ross.

Now the company has followed a radical route, buying a US fund management business in the US and setting up its own team of investors in the Far East.

I&S is thus forsaking the "distance factor" which many Scots-based investors say helps preserve their objectivity, doing so in pursuit of the higher margin business to be found overseas. The firm has also formed a joint venture with Sumituomo Trust & Banking, to manage Japanese investments into Europe.

Similarly, Baillie Gifford has set up a joint venture with the Toyo Trust & Banking Company to manage funds internationally, excluding Japan.

If some of the Scots firms are looking overseas for new business, Scotland is still seen as a desirable place to set up a fund management operation: witness Templeton Galbraith, the Bermuda-based group, which set up its European office in Edinburgh two years ago. Its strategy is somewhat unclear after the sudden departure of Colin McLean as managing director last month.

Another relatively new arrival is Capital House, created in 1987 when the Royal Bank of Scotland bought Charterhouse bank; the two companies' merged private client business is now run from Edinburgh.

**David Waller**

**David Waller** looks at accountancy firms

# Shake-up under way

EDINBURGH'S accountancy firms are housed in venerable, oak-panelled Georgian buildings, with name-plaques of burnished brass outside their gigantic doors. The offices – with impossibly lofty interiors – have been home to the firms for decades; they exude solidity, permanence and tradition: values of which every accountant ought to be proud.

All this seems a far cry from the turmoil which has generally afflicted the UK's accountancy profession in recent years.

Where, in Charlotte Square, is there evidence of the fantastic growth experienced by many of the firms; of chaotic mergers and merger discussion; of fundamental changes in the nature of a profession which is becoming increasingly subject to legislation. And yet, the Scottish accountancy world *has* had its fair share of change and excitement.

The growth, if not as great as in the City of London, has been good. The client base has been in a state of flux, if only because of the depredations of corporate raiders from south of the border. Furthermore, the impact of mergers put together in London or New York has changed the shape of the market dramatically. Up until only a few years ago, the Scottish accountancy world was divided rigorously between insiders and outsiders. The insiders were the firms like Arthur Young, Thomson McLintock or Grant Thorton, which had roots going back a century or more to the beginnings of the

The client base for accountants has been in a state of flux

Scots accountancy profession. The outsiders included such pillars of the English establishment as Peat Marwick and Price Waterhouse.

According to the outsiders, it was virtually impossible to break into the markets served by the traditional firms.

The ties between the accountants and their clients in the financial services sector had been forged long ago, often in the early years of the century when the investment management industry began – in the offices of accountancy firms like Ivory & Sime and Baillie Gifford.

The outsiders lamented that the ties were enforced in the modern age by what they unkindly described as "the New Club mafia," a clique of professionals who came from the right families and the right schools.

Undoubtedly, this network of professional ties still exists. But the network has been shaken up by two recent developments. Firstly, many big Scottish companies have lost their independence and their headquarters have been moved south of the border.

Traditional relationships between companies and their professional advisors have been severed as a result. Thus Price Waterhouse, auditors to Guinness, won the audit of United Distillers, Scotland's fifth biggest company, after Distillers was taken over by Guinness in 1986.

The second factor is the wave of mergers between the accountancy firms themselves, which have taken place less at the initiative of the Scots accountancy firms themselves than the sassenachs.

The first of these was that between Peat Marwick and KMG Thomson McLintock in 1986. The combined firm bounced up to rival Arthur Young, which was then ahead of the pack with fee income in Scotland of some £14m.

The second wave of mergers has radically changed the shape of the market. Ernst & Young has vaulted ahead to become Scotland's largest firm, with some 1,100 people and fees in excess of £30m in the year to April 1989. This gives it an incontestable lead in size terms over KPMG Peat Marwick McLintock and Coopers & Lybrand Deloitte, which both have around 800 people and generated fees of £19m last year.

A long way below these three firms are Price Waterhouse, with fees of £8m, Arthur Andersen (£7m), Pannell Kerr Forster (£5m) and Touche Ross and Grant Thorton (£4.5m apiece).

These figures, collated in last August's edition of Scottish Business Insider, indicate a much more polarised market than there is in the UK as a whole: in Scotland, there is no Big Six, only a Big Three dominated by E&Y.

The latest mergers have brought some turmoil to the Scots accountancy world. It is no surprise that some Arthur Young partners were resentful about going into a merger dominated in the UK and the US by Ernst & Whinney.

Some partners left, either taking business with them or prompting the client to put the audit up to tender.

Thus, when Martin Haldane left Arthur Young to join Chiene & Tait, one of his clients decided to review its historic ties with Arthur Young/E&W. The client was Scottish Widows, the big Scottish mutual life company and Scotland's seventh largest company. PW was much gratified earlier this month when it won the audit against stiff competition from Peats and Ernst & Young – a victory for the outsider, and one which PW will undoubtedly be keen to build on as a base for getting more work in the Scottish financial services sector.

Last summer, the Scots business press was full of stories about the imminent departure of Arthur Young's entire tax department.

"There were discussions with three tax partners who were not terribly happy with the merger," confirms Donald Turner, managing partner of E&Y's Glasgow office. "But they were persuaded to stay."

It is too early to predict what will happen as a result of the Coopers/ Deloitte deal. Accountants say though that the audit of Christian Salvesen, currently handled by Deloitte, will soon be up for grabs: Salvesen is an international company and Deloitte has of course shed much of its international network in chosing to merge with Coopers rather than Touche Ross.

The common factor behind all this change for Scotland's accountants is that it has come from "outwith" Caledonia. Scotsmen naturally resent this sort of interference and it was perhaps for this reason that the members of the Institute of Chartered Accountants of Scotland voted emphatically against a merger with their English and Welsh counterparts last summer.

Was the vote xenophobic and short-sighted? Or was it the only way of preserving the unique culture of Scottish accountancy, with its strong emphasis on education and training?

Only time will tell whether the Scots institute will be marginalised in the wider context of Europe.

Next month, though, Prof Ian Percy, the president of the Scots ICA, will present the membership with plans for preserving the institute's role in the future.

Resentment over Westminster's "interference"

# Lawyers in angry mood

IT IS well-known that Scotsmen resent governmental interference from Westminster. This is especially true of Scots lawyers, who are extremely upset about Mrs Thatcher's proposals for the reform of the legal profession – not the English legal profession, of course, but the Scottish one.

The Law Society of Scotland has been particularly vehement in its opposition to the Scottish Home & Health Department's consultation paper.

In the very first paragraph of its response to this document, the Scottish Law Society denounced Westminster's "interference with the free and independent administration of the Scottish system of justice."

What seems to irk the Scots' lawyers more than anything else, are proposals to end solicitors' monopoly over the conveyancing business. Opening up rights of audience in Scotland's higher courts: naturally,

The proposed abolition of the conveyancing monopoly has provoked howls of anguish, says DAVID WALLER

solicitors are in favour of this. But the proposed abolition of the conveyancing monopoly has provoked howls of anguish.

The reason for this is that many of the Law Society's members work for small firms in small country towns, deriving anywhere between 40 and 70 per cent of their revenues from conveyancing. Open-up the conveyancing monopoly to competition from banks and building societies, and many small firms will have to close and the provision of local services to rural communities would be grossly impaired.

Do the Law Society's protests strike a chord with the commercial practices of Edinburgh and Glasgow?

On the face of it, there is no reason why the Scottish equivalents of Slaughter & May or Herbert Smith should worry about the end of the conveyancing monopoly or the fate of the rural communities. But, in general, the Scots commercial firms are very different from their London counterparts.

Firms like Dundas & Wilson, which has been in Edinburgh for 300 years, may be able to compete head-on with City firms in the provision of legal services to blue-chip companies in Scotland. But this firm has a large conveyancing and private client department: according to Robin Blair, a senior partner, one quarter of the firms' business is done for private clients.

As Mr Blair is keen to point out, the Scots lawyer is by tradition a "man of affairs," a generalist capable of looking after everything from tax to trust administration and investment management. Not for him some tedious specialisation in the intricacies of Eurobond law or corporate finance. This is as true for the lawyers working for firms like McGrigor Donald, Bird Semple Fife Ireland and A.C Bennett & Robertson, as it is for those at D&W.

These firms are probably too well-established to suffer dramatically when the flood-gates of competition are opened, but that is not to say that Scotland's law firms can afford to be complacent.

There will be pressure on private client business, and there is also likely to be some pressure on bread-and-butter corporate work. It is a common lament: more and more Scottish companies are taken over by predators from south of the border and company headquarters are moved elsewhere.

Corporate lawyers have responded by moving towards greater specialisation, and by being less parochial in their outlook. Firms have woken up to the fact that skills nurtured in Scotland are valuable in the City of London.

As Fred Shedden, managing partner of the Glasgow-based McGrigor Donald puts it: "There seems to be a diminishing amount of work for us to do up here and there are plenty of firms wanting to do it. In London, there's an infinite well of requirements for sophisticated legal services.

"The big City firms are looking internationally for growth," he adds, "creating an opening for firms like this one to look after transactions in the £5-£10m bracket which would be given to an articled clerk in one of the big firms."

The mould appears to have been broken by two former D&W solicitors, Alastair Dickson and Bruce Minto. They left D&W in 1985 to form their own firm, Dickson Minto. This would be different: it would only do commercial work and from the start, was sharply differentiated from this competitors. By all accounts, it has been very successful: it set up a London office in 1986 and now employs a total of 80 people in London and Scotland.

The firm found itself a niche market in advising managers on how to do buyouts. It has advised on the following MBOs: Mallinson Denny; Premier Brands; United Machinery Group, and; it advised David Smith's Isosceles on its successful bid for the Gateway foodstore group.

"Most of the work we do in London has nothing to do with our Scottish practice and vice versa," observes Roderick Bruce, one of the firm's nine partners. He says that the London office may be a lot smaller than any of the big City firms, with 20-30 staff and three partners, "but we can direct as many skilled personnel to a transaction as anyone else".

Some of the firms are looking further afield than London: Bird Semple, a leading commercial property firm, is the only Scottish member of EU-LEX, a Brussels-based network of 25 lae firms from 25 countries. Earlier this month, two partners from McGrigor Donald paid a visit to Japan, meeting representatives from organisations as various as Mitsubishi Bank, Nomura and the Scottish Development Agency. McGrigor is also a member of Legal Resources Group, a UK grouping of independent law firms.

# LONDON STOCK EXCHANGE

# Advance trimmed towards the close

A STEADIER trend in sterling, another round of satisfactory company results and a fairly calm reception for the latest UK trade figures helped London equities to resist the effects of gloomy news from some other world markets yesterday. Stocks weathered early losses, which reflected the fall of 963 points in the Nikkei Index, but a mid-session gain of 17.5 Footsie points in London was halved when Wall Street opened the new session sharply on the downside.

Fund managers and trading houses were again sifting through the implications of this week's UK Budget which has found an uncertain response from London analysts who have criticised it as lacking in stringency. The market was more irregular than suggested by the final reading on the FT-SE Index, which closed 8.6 higher at 2,258.9.

| Account Dealing Dates | | |
|---|---|---|
| *First Dealings: | | |
| Mar 12 | Mar 26 | Apr 9 |
| Option Declarations: | | |
| Mar 22 | Apr 5 | Apr 26 |
| Last Dealings: | | |
| Mar 23 | Apr 6 | Apr 27 |
| Account Day: | | |
| Apr 2 | Apr 17 | May 8 |

*New time dealings may take place from 9.00 am two business days earlier

With both sterling and UK bonds in better form, equities quickly scented a favourable mood ahead of the UK trade figures and early losses were soon transmuted into a Footsie gain of 9 points. The pace quickened after the news of a deficit of £1.4bn on the UK trade and current account for February, well to the lower end of expectations, and the Footsie gain was extended. The shift to a bullish stance came from the futures market where the premium on the FT-SE contract advanced to 13 points before later falling back.

Good results from leading companies helped market sentiment if not, in some cases, the shares directly involved. Cookson Group fell sharply after disappointing the analysts and RTZ ended lower despite good profits.

The gain in the Footsie stalled as sterling came off the top and London backed away ahead of Wall Street's opening. The fall of 25 Dow points during London trading time left the UK market to close on a cautious note.

Seaq trading volume of 497.8m shares compared favourably with Wednesday's 444.4m, but included more two-way business as investors reshuffled portfolios in the light of the Budget measures. Brewery shares, which are perceived as having escaped lightly in the Budget, found buyers while property shares, although seen as vulnerable to the increased risk of higher interest rates, were encouraged by news of bid talks at London & Edinburgh Trust.

The international blue chips, which are regarded as attractive because of their relative immunity from domestic economic factors, showed an irregular trend, however. ICI held on to a small gain throughout the session but Glaxo ran back sharply as investors reacted to more detailed perusal of an article in the New England Journal of Medicine which, according to Mr Ian Moore of UBS Phillips & Drew, contained little new information for the market.

## Cookson takes a tumble

Cookson, the industrial materials manufacturer, unveiled profits below market expectations and the shares weakened sharply yesterday. They closed 33 down at 203p after turnover had risen to an exceptional 11m shares. The group reported profits of £183m, against the previous year's £178m, but analysts had predicted profits at around the £193m mark.

Mr Geoff Allum at County NatWest said: "Cookson put through a major capital expenditure programme and a large spend on acquisitions. This was at the same time as their UK markets weakened and interest rates rose. This knocked the stuffing out of profits growth."

He cut his 1990 profits forecast from £200m to £170m and said: "without disposals, the net debt position will be a real problem this year."

Mr Andrew Benson of Robert Fleming agreed that higher interest charges were a factor for the profits' shortfall. He predicted that, "1990 will be tough for Cookson, and the disappointment over this year's figures will lead to uncertainty over the current prospects. This will weigh on the share price for some time to come." He estimates 1990 profits of £190m, down from his previous forecast of £205m.

### Confusion over RTZ

The market's reception for RTZ's full-year profits, at the top end of the range of analysts' expectations, was confused by news service reports that apparently overstated the figures and brought an early flurry in the share price.

Dealers marked the shares up to 547p on virtually no trading volume. But this price only brought out profit-taking and the price trickled back all day to close at 538p, a net decline of 2. Turnover was unusually high for the stock at 3.5m.

Analysts raised profit forecasts for the current year. For accounting reasons market analysts take post-tax net attributable profit, rather than pre-tax profit. RTZ yesterday posted net attributable profit of £588m against £425m in 1988.

BZW, the company's broker, raised its forecast from £550m to £590m partly on the new figures and partly on the continuing firm copper price. Ms Jane MacKelvie at BZW said that sharper growth was due in 1991 and 1992. Several big projects will come on stream then, including the Escondida copper mine in Chile in which RTZ has a 30 per cent stake which will contribute about £30m a year at the post-tax stage, according to Ms MacKelvie. Mr Chris Steele at County NatWest raised his forecast from £542m to £555m, and Mr Ewan Worthington at S. G. Warburg is now on £600m instead of £595m.

### LASMO knocked

LASMO suffered a fall at mid-session on suggestions in the stock market that the company's much-vaunted Westray well in the North Sea, recently hinted to contain significant amounts of oil, had encountered only water.

Specialists said that news from the well would probably be known officially some time next week. LASMO shares have been among the market's best performers over the past few weeks as stories about a big oil find in Westray have swirled round the market.

LASMO shares dropped to a low of 592p before steadying and closing a net 3 off at 597p. Turnover in the shares totalled 3m. A statement from Occidental Petroleum, operator of Westray is expected today.

### Properties revive

London and Edinburgh Trust (LET), the property developer, rose 34 to 172p following news that it was in talks that could lead to a bid.

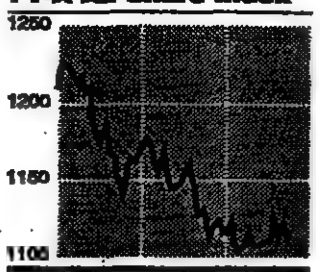
The announcement gave a boost to the whole of the beleaguered property sector, which was nervously waiting for an asset revaluation today by Laing Property. The revaluation is intended to be the centrepiece of Laing's defence against a 650p cash bid from P & O and Chelsfield.

Analysts expected Laing to reveal a net asset value of at least £8 per share, against 644p in its last evaluation in 1988. Laing closed 3 higher at 678p.

One analyst said of the LET news: "The market had been hoping for further corporate activity. A lot of the top companies are trading at a 45 per cent discount to the market and they'll be looking to take advantage of these opportunities."

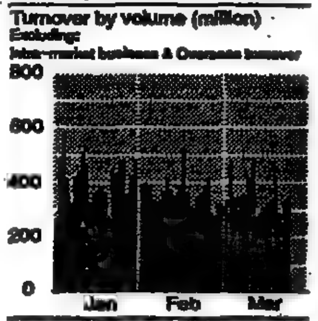
Elsewhere, Greycoat rose 11 at 396p, Land Securities was 11 higher at 477p, and MEPC was 15 stronger at 483p. Dealers noted that some of the buying of Land and MEPC had come from the big investment institutions.

**FT-A All-Share Index**



**Equity Shares Traded**

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NatWest suffered more than most in the banks sector as rumours circulated of problems regarding property lending in New Jersey, US. By the close NatWest were 5 off at 337p after turnover of 4m.

General Accident outperformed other insurers with the shares closing 12 up at 1046p helped by recent brokers recommendations.

Steel Burrill Jones edged up 2 to 287p after good preliminary figures which showed profits up from £3.73m to £6.83m.

Century Oil advanced strongly to close at 147p, up 8 on the session, after news that an investment group, the 88 Corporation of Nassau with 1.6m shares, and the Grouse Corporation with 300,000, had taken a combined 5 per cent-plus stake in the company. The investment group was said by dealers to include Mr Laurence Hockey-Sweeney, chairman of Aviva Petroleum, and possibly the Kuwait Investment Office.

Aviva advanced 4 more to 44¾p, still boosted by expectations of more good news from the group's Colombian operations.

Good volume in British Gas reflected the recent presentation given by one of the Japanese investment houses. Gas shares edged up to 213p on turnover of almost 10m. Burmah dipped 5 to 590p and Calor 10 to 284p.

Dealers continued to mark Wellcome higher in anticipation of a review of the company's Aids drug Retrovir by BZW due out today. The shares climbed another 17 to 703p.

North West Water's inclusion in the FT-SE 100 produced keen support for the shares which settled 2 firmer at 156p on turnover of 1.4m. Demand was also said to have been stimulated by a lunch hosted by County NatWest, at which the North West management was said to have put across a positive view of the group's environmental engineering businesses.

Southern put on 6 to 142p on turnover of 715,000 and Yorkshire 3 to 175p on 534,000. The water Package moved up £23 to £1573.

The 28 per cent rise in full-year profits to £691m from Guinness left the company's shares 9 higher at 679p, and also gave a boost to other brewing stocks with strong international businesses. Allied-Lyons climbed 11 to 450p and Bass improved 22 to 935p.

Grand Metropolitan added 7½ at 590½p partly in response to the Guinness figures but also as dealers anticipated what might come from next week's analysts' visit to US division Pillsbury. US broker Paine Webber reiterated its unequivocal buy recommendation on the stock, saying that the company appeared to be able to achieve a mid-teens percentage growth rate in earnings per share through to 1994.

Mount Charlotte slipped 2 to 59p after revealing a 15 per cent improvement in full-year profit to £47.6m.

A two-for-nine rights issue from USM-quoted Castle Communications that accompanied a 53 per cent improvement in half year profits to £1.2m left the shares 20 lower at 448p.

Polly Peck rose 10 to 381p as 3m shares traded. The company's final results are out next Thursday. Analysts expect profits of £158m against £112m last time.

Morrison, the supermarket group, gained 11 to 172p, following better than expected final results. Profits of £37m against £32m last year cheered the market, which had expected £35-36m.

Tesco, up 2 at 199p, and Sainsbury, up 2 at 258p, both rose following a positive note from County NatWest which continued to favour the two supermarket groups in the food retailing sector.

Great Universal Stores continued its share buy-in operation, by buying 200,000 of its own shares on Wednesday at 975p each. GUS "A" shares rose from 974p to 988p. Dealers said that a broker believed to be acting for the company continued to bid for the stock yesterday.

A line of 6.4m Next shares recorded on the overnight ticker hung over the market and left the shares 2 lower at 94p. Almost 14m Storehouse were also registered overnight, leading dealers to ask whether Mr Asher Edelman, the US arbitrageur, was selling more of his 5.8 per cent holding. The shares shed a penny to 120p.

Among second-line stores, Mallett added 7 at 163p on a 35 per cent year end profit improvement to £3.7m.

British Telecom advanced 5½ to 281p on 3.8m shares after some big overnight US business, while Racal Electronic eased to 205p and Racal Telecom ran back 18 to 345p. US investors have been big sellers of Electronics and there have been growing worries about the quality of earnings at Racal Telecom.

Ferranti, boosted by the series of presentations given by the new chairman/chief executive, rose 1½ more to 43½p on turnover 15m.

Good figure from Telemetrix boosted the shares 4 to 33p. Isopad, where Mr Brian McGowan, a Williams Holdings director, recently took a 5 per cent plus stake, added 11 to 173p.

"Good two- way trade" is how one trader described the business in British Steel. Some 9.9m shares changed hands as the share price closed unchanged at 145p. Also said to have been a good market was Rolls-Royce, whose shares closed 3 up at 189 on turnover of 4.5m shares.

Hepworth eased 3 to 270p, on the news that it was to make a £100m bond issue to help finance the £153m acquisition of Société Saunier Duval, the French central heating maker. Hepworth is offering shareholders one 100p unit of the capital bond for every 1.9 shares held. The offer is conditional on the acquisition proceeding. Hepworth also unveiled an 18.7 per cent increase in full-year profits to £102.1m.

Trafalgar House steadied after losing ground the previous day on a Hoare Govett downgrading. The shares closed unchanged at 331p. Wednesday's profits warning from Nobo had a delayed effect yesterday and the shares shed 28 to 115p.

Laporte continued to benefit from good results on Wednesday, the shares gaining a further 6 to 523p. The small improvement in Croda profits left the market unimpressed and the shares retreated to close 6 down at 174p. Profits for the year to December 1989 increased from £35.6m in 1988 to £36.4m.

"Competition intensified in its weaker UK markets in the second half," said Mr Guy Phillips at Robert Fleming, although after taking account of the pension surplus, the results were in line with his expectations. Mr Phillips warned, however, that, "1990 will be a very tough year. While some factors will not detract from profits growth in 1990 as they did in 1989, Croda is likely to be confronted by weaker UK markets."

Also reporting was Rentokil, whose profits improved by 24 per cent to £62m. The shares added 3 to 371p in response. Mr Charles Lambert at Smith New Court welcomed the results and observed: "Few companies have a single objective to grow by 20 per cent a year which is what Rentokil have managed to do." Caird added 5 to 546p after revealing a 78 per cent improvement in profits to £3m.

Builders merchant Spring Ram closed 2 off at 109p after the group revealed preliminary pre-tax profits of £24.12m against last time's £16.56m. Dealers said the market would probably respond to publicity given to the positive statement.

Good performers in the building materials group included Blue Circle Industries 4 firmer at 641p and Rugby which put on 3 to 162p.

■ Other Market statistics, including the FT-Actuaries share index, Page 30

### NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (33).
AMERICANS (3) CANADIANS (1) CHEMICALS (2) STORES (1) ELECTRICALS (2) INDUSTRIALS (3) China Light, Jardine Hldg., Jardine Strategic, LEISURE (1) MOTORS (3) PROPERTY (4) TRANSPORT (3) OILS (2).
NEW LOWS (118).
LOANS (1) BANKS (3) BREWERS (3) BUILDINGS (5) STORES (13) ELECTRICALS (10) ENGINEERING (3) FOODS (6) INDUSTRIALS (26) BSS, BTS, Cookson, Courtney Pope, Darby, Dobson Park, Hawthorn Leslie, IMP Intl., Johnston Group, Kalamazoo, Lincoln House, Maybore, Menzie & Crane, Nobo, Powell Duffryn, Reed Executive, Reliant, Rexmore, Savage, Tamaris, INSURANCE (1) LEISURE (3) MOTORS (1) PAPERS (3) PROPERTY (5) TEXTILES (7) TRANSPORT (1) TRUSTS (6) WATER (1) OILS (1) OVERSEAS TRADERS (3) MINES (3) THIRD MARKET (4).

### FINANCIAL TIMES STOCK INDICES

| | Mar 22 | Mar 21 | Mar 20 | Mar 19 | Mar 16 | Year Ago | 1989/90 High | 1989/90 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 76.03 | 75.91 | 76.79 | 77.12 | 77.60 | 88.10 | 89.29 (8/2/89) | 75.91 (21/3/90) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 85.96 | 86.14 | 86.57 | 86.58 | 86.60 | 98.79 | 99.59 (15/3/89) | 85.96 (22/3/90) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary Share | 1779.1 | 1771.4 | 1777.6 | 1759.9 | 1789.4 | 1698.4 | 2008.6 (5/9/89) | 1447.8 (3/1/89) | 2008.6 (5/9/89) | 49.4 (26/6/40) |
| Gold Mines | 290.9 | 294.7 | 295.5 | 282.8 | 285.6 | 193.8 | 378.5 (6/2/90) | 154.7 (17/2/89) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| FT-SE 100 Share | 2258.9 | 2250.3 | 2259.7 | 2238.0 | 2263.9 | 2057.0 | 2463.7 (3/1/90) | 1782.8 (3/1/89) | 2463.7 (3/1/90) | 986.9 (23/7/84) |
| Ord. Div. Yield | 4.97 | 4.96 | 4.94 | 5.00 | 4.90 | 4.54 | | | | |
| Earning Yld %(full) | 11.81 | 11.75 | 11.72 | 11.85 | 11.51 | 10.66 | | | | |
| P/E Ratio(Net)(*) | 10.26 | 10.30 | 10.32 | 10.21 | 10.50 | 10.96 | | | | |
| SEAQ Bargains(5pm) | 31,487 | 25,766 | 23,383 | 27,243 | 26,144 | 26,098 | | | | |
| Equity Turnover(£m)† | - | 844.67 | 679.77 | 672.08 | 630.12 | 990.055 | | | | |
| Equity Bargains† | - | 24,865 | 25,394 | 28,478 | 28,350 | 30,888 | | | | |
| Shares Traded (ml)† | - | 350.1 | 324.1 | 280.6 | 418.8 | 408.9 | | | | |

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.20

Ordinary Share Index, Hourly changes Day's High 1787.3 Day's Low 1764.5

| Open | 10 a.m. | 11 a.m. | 12 p.m. | 1 p.m. | 2 p.m. | 3 p.m. | 4 p.m. |
|---|---|---|---|---|---|---|---|
| 1764.9 | 1774.5 | 1781.0 | 1782.1 | 1783.1 | 1783.6 | 1787.1 | 1779.9 |

FT-SE, Hourly changes Day's High 2267.8 Day's Low 2240.7

| Open | 10 a.m. | 11 a.m. | 12 p.m. | 1 p.m. | 2 p.m. | 3 p.m. | 4 p.m. |
|---|---|---|---|---|---|---|---|
| 2241.0 | 2252.9 | 2258.6 | 2261.3 | 2262.7 | 2262.8 | 2267.7 | 2259.5 |

### GILT EDGED ACTIVITY

| Indices* | Mar 21 | Mar 20 |
|---|---|---|
| Gilt Edged Bargains | 123.6 | 90.6 |
| 5 – Day average | 93.1 | 86.9 |

*SE Activity 1974 †Excluding intra-market business & Overseas turnover. Calculation of the FT indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index Tel. 0898 123001

### TRADING VOLUME IN MAJOR STOCKS

| Stock | Volume 000's | Closing Price | Day's change | Stock | Volume 000's | Closing Price | Day's change | Stock | Volume 000's | Closing Price | Day's change | Stock | Volume 000's | Closing Price | Day's change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ADT | 745 | [illegible] | −1½ | Cookson | 11,000 | [illegible] | −33 | MB Group | 1,800 | 202 | −1 | Slough Ests | 114 | 270 | +2 |
| ASDA Group | 1,800 | 108 | +3 | Courtaulds | 800 | 330 | +7 | MEPC | 781 | 483 | +15 | Smith (W.H.) A | 137 | 394 | |
| Abbey National | 3,400 | 182 | −½ | Dalgety | 577 | 382 | −3 | Marks & Spencer | 1,500 | 193 | +1 | Smith & Nephew | 6,800 | 124½ | |
| Allied-Lyons | 1,700 | 450 | +11 | Dixons | 737 | 124 | | Maxwell Comm | 1,100 | 182 | −3 | SmKl Beecham | 1,800 | 487 | +5 |
| Amstrad | 3,800 | 30 | +1 | ECC Group | 122 | 374 | −1 | Mecca Leisure | 447 | 131 | −3 | SmKl Beecham Units | 4 | 2308 | +8 |
| Anglian Water | 980 | 171 | +1 | Enterprise Oil | 611 | 604 | | Midland Bank | 681 | 308 | −2 | South West Water | 853 | 159 | |
| Argyll Group | 1,200 | 208 | +1 | FKI | 2,400 | 88 | +3 | NatWest Bank | 4,000 | 337 | −5 | Southern Water | 715 | 142 | +6 |
| Ass. Brit. Foods | 159 | 382 | +2 | Ferranti | 15,000 | 43½ | +1½ | Next | 2,000 | 94 | −2 | Smiths Inds | 51 | 244 | −1 |
| BAA | 1,000 | 384 | +½ | Fisons | 1,400 | 330 | −2 | North West Water | 1,400 | 156 | +2 | Standard Chartd | 1,000 | 349 | +5 |
| BAT Inds | 1,400 | 810 | −4 | Gen. Accident | 119 | 1046 | +12 | Northern Foods | 375 | 234 | +1 | Storehouse | 1,600 | 120 | −1 |
| BET | 815 | 224 | +1 | General Elect | 4,000 | 203 | −½ | Northumbrian Water | 285 | 164 | −2 | Sun Alliance | 720 | 287 | |
| BICC | 1,300 | 494 | −7 | Glaxo | 3,300 | 784 | −22 | Pearson | 199 | 650 | +5 | Sun Life | 31 | 1205 | +2 |
| [illegible] | | | | [illegible] | | | | [illegible] | | | | [illegible] | | | |
| Brit. Aerospace | 1,100 | 488 | | Harrisons Cros. | 1,100 | 183 | −1 | Redland | 910 | 555 | +5 | Ultramar | 965 | 367 | +1 |
| British Airways | 1,900 | 289 | −5 | Hawker Sidd. | 679 | 630 | −1 | Reed Intl. | 2,700 | 395 | +6 | Unigate | 253 | 290 | +4 |
| British Gas | 8,400 | 213 | +1 | Hillsdown | 1,400 | 239 | +2 | Reuters | 910 | 1081 | −7 | Unilever | 1,300 | 684 | −1 |
| British Land | 282 | 383 | +7 | IMI | 487 | 225 | +½ | Rolls Royce | 4,500 | 189 | +3 | United Biscuits | 1,800 | 326 | +6 |
| BP | 5,780 | 334 | +2 | ICI | 1,400 | 1132 | +4 | Rothmans | 380 | 853 | +14 | Utd. Newspapers | 112 | 344 | +4 |
| British Steel | 9,900 | 144½ | −½ | Inchcape | 286 | 270 | −1 | Ryl Bk Scotland | 850 | 184 | +2 | Water Package Uts. | 3 | £1573 | +23 |
| British Telecom | 3,800 | 281 | +5½ | Kingfisher | 116 | 380 | +2 | Royal Insurance | 420 | 473 | +4 | Wellcome | 665 | 703 | +17 |
| Bunzl | 147 | [illegible] | +1 | Ladbroke | 1,000 | 297 | +7 | STC | 1,200 | 391 | −3 | Welsh Water | 1,000 | 174 | |
| Burmah Oil | 855 | 590 | −5 | Land Securities | 918 | 477 | +11 | Saatchi | 1,800 | 132 | −1 | Wessex Water | 294 | 162 | −4 |
| Burton | 1,200 | 181 | | Laporte | 539 | 523 | +6 | Sainsbury | 1,800 | 258 | +2 | Whitbread "A" | 669 | [illegible] | +7 |
| Cable & Wire | 1,800 | 538 | +1 | Legal & General | 641 | 374 | | Scottish & New. | 718 | 334 | +2 | Williams Hldgs. | 526 | 240 | −2 |
| Cadburys | 1,400 | 320 | +4 | Lloyds Abbey | 288 | 319 | +2 | Sears | 3,700 | 100 | +1 | Wills Faber | 4,000 | 242 | |
| Calor Group | 449 | 284 | −10 | Lloyds Bank | 2,500 | 286 | +1 | Sedgwick | 588 | 252 | −1 | Wimpey | 722 | 247 | +2 |
| Carlton Comms. | 659 | 695 | −1 | LASMO | 3,000 | 597 | −3 | Severn Trent Water | 1,600 | 143 | +1½ | Yorkshire Water | 534 | 175 | |
| Coats Viyella | 1,400 | 130 | −1 | Lonrho | 2,200 | 271 | | Shell Transport | 3,500 | 465 | | | | | |
| Comm. Union | 249 | 486 | +2 | Lucas | 270 | 616 | −3 | Siebe | 182 | 483 | −1 | | | | |

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

# LONDON SHARE SERVICE

### BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

### BRITISH FUNDS—Contd

[illegible]

### INT. BANK AND O'SEAS

[illegible]

### CORPORATION LOANS

[illegible]

### COMMONWEALTH & AFRICAN LOANS

[illegible]

### LOANS

Public Board and Ind.

[illegible]

### FOREIGN BONDS & RAILS

[illegible]

### AMERICANS

[illegible]

### AMERICANS—Contd

[illegible]

### CANADIANS

[illegible]

Continued on next page

# APPOINTMENTS

## J.Sainsbury senior posts

■ J. SAINSBURY has made the following appointments: Mr Dino Adriano, managing director, Homebase, joins the main board; Mr Robin Whitbread, south western area director, joins the main board as marketing director from July 12; Mr Alec Fry, deputy chief accountant, becomes chief accountant designate and a departmental director, succeeding Mr Frank Netscher who retires in August; Mr Trefor Hales, senior branch manager trading, is promoted to departmental director, branch operations; Mr Christopher Leaver, head of PR, is promoted to public relations departmental director; and Mr David Smith, snior manager branch operations, is promoted to south western area director designate, and succeeds Mr Whitbread on July 9.

■ Mr Joe Burnett-Stuart will retire as chairman and from the board of ROBERT FLEMING HOLDINGS on April 30. Mr Robert Fleming will become chairman and Mr John Manser is made group chief executive. Mr Manser also succeeds Mr Burnett-Stuart as chairman of Robert Fleming & Co.

■ MATTHEW CLARK & SONS (HOLDINGS), a wine and spirits company, has appointed Mr Peter Aikens as group chief executive from May 2. He was regional director Europe for Elders Agribusiness, and has worked for Whitbread and Courage.

UNION DISCOUNT COMPANY has appointed Mr B.S.P. Gent *(above)* as banking director. He was a deputy head, banking supervision division, Bank of England.

■ Ms Caroline Burton, GUARDIAN ROYAL EXCHANGE's general manager, and Mr James Morley, general manager, finance, have both been appointed executive directors on the company's main board.

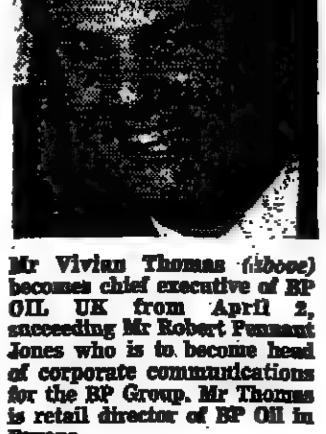
■ Mr Michael Bancroft has been appointed chairman and chief executive of the RITZ DESIGN GROUP. He was deputy chairman and chief executive. Mr Bancroft succeeds Mr Richard Clemons who has resigned.

■ CITY MERCHANTS INVESTMENT MANAGEMENT, private client investment arm of Invesco MIM, has made the following appointments: Mr Richard West, former chief executive officer of Hoare Govett, becomes a non-executive director; Mr John Corbally, ex-Capel Cure Myers, is made an investment director; and Mr Richard Lockwood, most recently a divisional director of Hoare Govett, seconded to McIntosh Hamson Hoare Govett, based in Australia, has been appointed director of City Merchants Investment Management International, the recently formed Jersey company.

■ GENERAL ACCIDENT FIRE AND LIFE ASSURANCE CORPORATION has made the following appointments from April 1: Mr B. Holder, executive chairman of NZI Bank returns to the UK as a general manager and director of the Corp; Mr J.H. Boxall, deputy general manager (UK), becomes general manager (estate agents); Mr R.A. Scott, chief general manager, NZI Insurance Australia, becomes deputy general manager (UK); Mr W.H. Jack, assistant general manager (UK), is promoted to deputy general manager (UK); and Mr C.R. Barker Bennett, assistant general manager (overseas) is promoted to deputy general manager (overseas).

■ MORGAN GRENFELL has appointed Mr Jeremy Gough, Mr John Mackie and Mr Mark Weston to the board of Morgan Grenfell Development Capital. Mr Gough and Mr Weston join from Close Investment Management, and Mr Mackie joins from 3i.

■ Mr Nicholas Hood has been appointed group chief executive of CARGO CONTROL. He was finance director. Mr Bruce Fowler becomes financial controller and company secretary, and Mr Nigel Alexander joins as treasurer.



Mr Vivian Thomas *(above)* becomes chief executive of BP OIL UK from April 2, succeeding Mr Robert Pennant Jones who is to become head of corporate communications for the BP Group. Mr Thomas is retail director of BP Oil in Europe.

# LONDON SHARE SERVICE

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## BANKS, HP & LEASING

| 1989/90 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| *303 | 216 | ANZ SA1 | 251 | –2 | 44c | 1.4 | 7.9 | 9.0 |
| 196 | 134 | Abbey National 10p | 192 | –½ | 5.7 | 4.3 | 4.0 | 7.8 |
| *282 | 120½ | Allied Irish Ord | 259 | –4 | [illegible] | 3.3 | 3.1 | 13.3 |
| £13¼ | £11½ | Algemene Fl.10 | £13¼ | ..... | Q28% | 2.0 | 6.7 | 7.4 |
| *85 | 61 | Anglo Irish | 88 | ..... | Q18.7% | 2.7 | 5.5 | 10.9 |
| 81 | 57 | Ansbacher (H.) 1p | 73 | ..... | 2.5 | 1.3 | 4.6 | 21.0 |
| £72¼ | £38¼ | Bancaire Cie Fr100 | £64¼ | +1¼ | [illegible] | – | 2.2 | – |
| £46¼ | £35¼ | Banco Bilbao Viz | £36¼ | ..... | Q35.7% | 2.0 | 4.0 | 12.6 |
| £33 | £25¼ | Banco de Santander | £26¼ | ..... | Q25% | 2.4 | 4.2 | 9.9 |
| *286 | 169 | Bank Ireland Ir£1 | 259 | –4 | [illegible] | 3.2 | 4.5 | 8.9 |
| £19½ | £17¼ | Bank Leumi | £19½ | ..... | – | – | – | – |
| 350 | 320 | Bank Leumi (U.K.) | 345 | ..... | †13.5 | – | 5.2 | – |
| 125 | 88 | Bank Scotland | 118 | ..... | †5.8 | 3.6 | 4.3 | 8.5 |
| 111¼ | 90 | Do. 9¼pc Irrd Pf | 90½ | +½ | 9¼% | – | 13.6 | – |
| *67 | 49 | Bank of Wales | 52 | ..... | 2.8 | 1.6 | 7.2 | 10.9 |
| *586 | 404 | Barclays £1 | 548 | +1 | 27.4 | q3.6 | 6.4 | 5.6 |
| 31 | 17 | Benchmark 20p | 18 | +1 | 1.63 | 1.0 | 12.6 | 9.9 |
| 363 | 285 | Brown Shipley £1 | 313 | ..... | †10.5 | – | 4.5 | – |
| 455 | 325 | Cater Allen £1 | 410 | ..... | 23.5 | – | 7.6 | – |
| 259 | 149 | Chancery | 154 | +2 | 18.0 | 2.8 | 6.9 | 6.8 |
| £23¼ | £14½ | Commerzbk DM10 | £22½ | ..... | Q18% | – | 2.9 | – |
| *£29 | £22¼ | C'hgn.Hdk.Kr100 | £24½ | ..... | Q15% | – | 5.6 | – |
| £16¾ | 955 | Dai Ichi Kgk Y50 | 955 | –95 | Q16% | 8.8 | 0.3 | 34.1 |
| *£314¼ | £154¼ | Deutsche Bk DM50 | £308¼ | +3¼ | Q24% | – | 1.4 | – |
| £22¼ | £17¾ | Espirito Santo | £20¼ | ..... | Q75c | 3.3 | 2.2 | 13.8 |
| 260 | 182 | First Nat. Fin. 10p | 220 | –1 | 13.0 | 2.4 | 7.9 | 6.8 |
| 134 | 90 | FNFC 6.3pc Cv. Pf | 113 | ..... | 6.3% | – | 7.4 | – |
| £16¾ | £12½ | Fuji Bank Y50 | £12½ | ..... | Q15.6% | 4.2 | 0.2 | – |
| 325 | 230 | Gerrard & National | 274 | ..... | 18.5 | – | 9.0 | – |
| 154 | 118 | Guinness Mahon 10p | 148 | ..... | 42.1 | – | 1.9 | – |
| 328 | 197 | Hambros 20p | 278 | –2 | †10.0 | – | 4.8 | – |
| [illegible] | | | | | | | | |

### Hire Purchase, Leasing, etc.

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BUILDING, TIMBER, ROADS

[illegible]

## BUILDING, TIMBER, ROADS – Contd

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## ELECTRICALS

[illegible]

## ELECTRICALS – Contd

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING – Contd

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS (Miscel.) – Contd

[illegible]

## INDUSTRIALS (Miscel.) – Contd.

[illegible]

## INSURANCES

[illegible]

## LEISURE

[illegible]

مكتبة الأصل

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## MOTORS, AIRCRAFT TRADES

### Commercial Vehicles

### Components

### Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING, ADVERTISING

## PROPERTY

## PROPERTY—Contd

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TOBACCOS

## TRANSPORT

## TRUSTS, FINANCE, LAND

### Investment Trusts

## TRUSTS, FINANCE, LAND—Contd

### Finance, Land, etc

## WATER

## OIL AND GAS

## OIL AND GAS—Contd

## OVERSEAS TRADERS

## PLANTATIONS

### Rubbers, Palm Oil

### Teas

## MINES

### Central Rand

### Eastern Rand

### Far West Rand

### O.F.S.

### Diamond and Platinum

### Central African

### Finance

### Australians

### Tins

## MINES—Contd

### Miscellaneous

## THIRD MARKET

## NOTES

... to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend, xc ex scrip issue; xr ex rights, xa ex all, xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | |
|---|---|---|
| Albany Inv 20p | 81 | ..... |
| Craig & Rose £1 | 620 | ..... |
| Finlay Pkg. 5p | 57 | -1 |
| Holt (Jos) 25p | 1345 | ..... |

### IRISH

| | | |
|---|---|---|
| Cap 8½% Ln. 1991 | £96 | ..... |
| 9pc Cap Ln. 1996 | £98¼ | +¼ |
| Fin. 13% 97/02 | £107½ | ..... |
| Arnotts | 450 | ..... |
| Carroll (P.J.) | 165 | +3 |
| Hall (R. & H.) | 180 | ..... |
| Helton Hldgs | 90 | ..... |
| IRG | 2158 | +5 |
| United Drug | 165 | ..... |

## TRADITIONAL OPTIONS

3-month call rates

| Industrials | p |
|---|---|
| Allied-Lyons | 39 |
| Amstrad | 5½ |
| Astec (BSR) | 5¼ |
| BAT | 83 |
| BOC Grp | 45 |
| BTR | 36 |
| Barclays | 49 |
| Blue Circle | 19 |
| Boots | [illegible] |
| Bowaters | 38 |
| Brit. Aerospace | 42 |
| British Steel | 9 |
| Brit. Telecom | 25 |
| Cadburys | 27 |
| Charter Cons | 40 |
| Comm Union | 40 |
| Courtaulds | 24 |
| Eurotunnel | 60 |
| FKI | 7 |
| FNFC | 21 |
| Gen Accident | 90 |
| GEC | 18 |
| Glaxo | 56 |
| Grand Met | 45 |
| Guardian | 19 |
| GKN | 33 |
| Hanson | 18 |
| Hawker Sidd | 55 |
| ICI | 85 |
| Ladbroke | 25 |
| Legal & Gen | 34 |
| Lex Service | 26 |
| Lloyds Bank | [illegible] |
| Lucas Inds | 52 |
| Marks & Spencer | 17 |
| Midland Bk | 27 |
| Nat West Bk | 29 |
| P & O Dfd | 50 |
| Polly Peck | 37 |
| Racal Elect | 19 |
| RHM | 35 |
| Rank Org Ord | 68 |
| Reed Intnl | 39 |
| STC | 20 |
| Sears | 9½ |
| SmKl. Beecham A | 46 |
| TI | 38 |
| TSB | 11 |
| Tesco | 17 |
| Thorn EMI | 61 |
| Trust Houses | 22 |
| T&N | 17 |
| Unilever | 56 |
| Vickers | 18 |
| Wellcome | 60 |

### Property

| | |
|---|---|
| Brit Land | 32 |
| Control Secs | 5 |
| Land Securities | 44 |
| MEPC | 44 |
| Mountleigh | 14 |

### Oils

| | |
|---|---|
| Aviva Petlm | 5½ |
| Brit Petroleum | 28 |
| Burmah Oil | 52 |
| Conroy Petlm | 12 |
| Gaelic Res | 4½ |
| Premier | 18 |
| Shell | 37 |
| Tuskar Res | 10 |
| Ultramar | 31 |

### Mines

| | |
|---|---|
| Lonrho | 22 |
| RTZ | 45 |

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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## AUTHORISED UNIT TRUSTS

[illegible]

### GUIDE TO UNIT TRUST PRICING

[illegible]

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| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Thornton Unit Managers Ltd (1000)F** | | | | | | |
| 33 Cavendish Sq., London W1M 7HF 01-493 7262 | | | | | | |
| Dealing 01-493 8545 | | | | | | |
| American Opps | 5 | 53.07 | 53.87xd | 57.49 | -0.24 | 0.29 |
| (Accum Units) | 5 | 54.62 | 55.44xd | 59.13 | -0.25 | 0.29 |
| European Opps | 5 | 79.13 | 79.63 | 84.93 | +0.07 | 0.00 |
| (Accum Units) | 5 | 79.56 | 80.07 | 85.40 | +0.03 | 0.00 |
| Far Eastern Opps | 5 | 135.01 | 135.34xd | 144.37 | -1.35 | 0.00 |
| (Accum Units) | 5 | 135.88 | 136.25xd | 145.30 | -1.35 | 0.00 |
| Golden Opps | 5 | 45.23 | 45.23 | 48.24 | -0.25 | 0.00 |
| (Accum Units) | 5 | 46.53 | 46.53 | 49.62 | -0.25 | 0.00 |
| Intl Hi-Yield | 5 | 59.87 | 60.34 | 64.35 | -0.25 | 4.28 |
| (Accum Units) | 5 | 65.27 | 65.78 | 70.15 | -0.25 | 4.28 |
| Sanyo Japan Tst | 5 | 63.12 | 63.12 | 67.32 | -2.31 | 0.00 |
| (Accum Units) | 5 | 63.12 | 63.12 | 67.32 | -2.31 | 0.00 |
| Kangaroo | 5 | 31.71 | 31.71 | 33.82 | -0.32 | 1.53 |
| (Accum Units) | 5 | 31.89 | 31.89 | 34.01 | -0.33 | 1.53 |
| Oriental Income | 5 | 33.91 | 33.94xd | 36.19 | -0.19 | 5.17 |
| (Accum Units) | 5 | 38.52 | 38.56xd | 41.12 | -0.21 | 5.17 |
| Pacific Technology | 5 | 61.01 | 61.01xd | 64.49 | -0.38 | 0.00 |
| (Accum Units) | 5 | 61.50 | 61.50xd | 65.01 | -0.38 | 0.00 |
| Tiger | 5 | 155.74 | 155.74 | 166.11 | -0.28 | 0.67 |
| (Accum Units) | 5 | 158.16 | 158.16 | 168.70 | -0.28 | 0.67 |
| UK Hi-Yield | 5 | 42.87 | 42.87 | 45.72 | +0.07 | 5.00 |
| (Accum Units) | 5 | 49.02 | 49.02 | 52.28 | +0.09 | 5.00 |
| UK Opps | 5 | 53.62 | 56.30xd | 60.21 | -0.22 | 0.71 |
| (Accum Units) | 5 | 58.34 | 61.26xd | 65.51 | -0.25 | 0.71 |
| **Three Counties Asset Mngmt Ltd (1430)F** | | | | | | |
| Cuthbert House, Tower Road, Washington NE37 2SB 091 415 3034 | | | | | | |
| Balanced Portfolio | 6 | 90.82 | 92.52 | 98.43 | +0.35 | 4.00 |
| **Touche Remnant Unit Tst Mngt Ltd (1600)F** | | | | | | |
| Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250 | | | | | | |
| 4 Hourly Pricing—12 Noon Historic | | | | | | |
| TR American Gwth | 5¼ | 48.48 | 48.48xd | 51.71 | -0.39 | 0 |
| TR Eur Sp Sits Acc | 5¼ | 44.29 | 44.29 | 47.20 | -0.24 | 0 |
| TR Eur Sp Sits Inc | 5¼ | 43.43 | 43.43 | 46.28 | -0.24 | 0 |
| TR Far East Opps Inc | 5¼ | 23.75 | 23.75 | 25.00 | .... | — |
| TR Far East Opps Acc | 5¼ | 23.75 | 23.75 | 25.00 | .... | — |
| TR General Growth | 5¼ | 73.70 | 73.70 | 78.40 | +0.33 | 2.82 |
| TR Global Tech | 5¼ | 75.95 | 75.95 | 81.01 | -0.91 | 0 |
| TR Europe Growth | 5¼ | 85.29 | 85.79 | 91.26 | +0.45 | 4.44 |
| TR Income Monthly | 5¼ | 53.11 | 53.11 | 56.50 | +0.10 | 7.11 |
| TR Japan Growth | 5¼ | 82.07 | 82.07 | 87.08 | -3.14 | 0 |
| TR Overseas Growth | 5¼ | 66.95 | 66.95 | 71.41 | -1.39 | 0 |
| TR Smaller Cos | 5¼ | 77.32 | 77.32 | 82.25 | -0.06 | 3.13 |
| TR Special Opps | 5¼ | 85.87 | 85.87xd | 91.35 | -0.06 | 3.03 |
| TR Mgd Ex Plan Acc | 5¼ | 34.12 | 34.12 | 36.29 | +0.08 | 2.29 |

| | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|
| **J. Rothschild Fund Managers Ltd** | | | | |
| (a) Exempt | 142.6 | 144.2 | .... | 3.56 |
| **Stewart Ivory & Co Ltd** | | | | |
| Saints PPP Mar 14 | 256.5 | 269.0 | -3.3 | 0.00 |
| Closed to new business | | | | |
| **Thornton Unit Managers Ltd** | | | | |
| Mangd Exempt Mar 15 | 101.41 | 107.99 | .... | 3.88 |
| (Accum Units) | 102.03 | 108.65 | .... | 3.83 |
| **Touche Remnant Unit Tst Mngt Ltd** | | | | |
| TR Exempt European | 117.8 | 119.3 | +0.1 | 1.28 |
| TR Exempt Nth Amer | 101.6 | 103.1 | +1.4 | 3.17 |
| TR Exempt Pac Basin | [illegible] | [illegible] | [illegible] | 0 |

# INSURANCES

| | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|
| **AA Friendly Society** | | | | |
| (Investment Mngt M & G Inv Mngt Ltd) | | | | |
| AA Friendly Sy Mar 9 | — | 149.3 | .... | — |
| **Abbey Life Assurance Co Ltd** | | | | |
| 80 Holdenhurst Road, Bournemouth 0202 292373 | | | | |
| Prop. Ser. 1 | 298.6 | 314.4 | .... | — |
| Equity Ser. 1 | 128.7 | 135.5 | +0.7 | — |
| Prop. Acc. Ser 2 | 460.3 | 484.6 | .... | — |
| Equity Ser 2 | 149.3 | 157.2 | +0.8 | — |
| Selective Acc | 339.9 | 357.8 | +1.2 | — |
| Prop. Ser. 4 | 360.7 | 379.7 | .... | — |
| Equity Ser. 4 | 152.4 | 160.5 | +0.6 | — |
| Man. Ser. 4 | 438.4 | 461.5 | +1.9 | — |
| Fixed Int. Ser. 4 | 206.5 | 217.5 | +0.4 | — |
| Indexed Inv. Ser. 4 | 139.2 | 146.7 | +0.4 | — |
| American Ser 4 | 332.2 | 349.7 | -1.1 | — |
| Japan Ser 4 | 285.1 | 300.2 | -4.9 | — |
| European Ser 4 | 127.9 | 134.7 | [illegible] | — |

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| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| **National Financial Management Corp PLC** | | | | |
| 72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539 | | | | |
| Life Funds | | | | |
| Managed Cautionary | 102.0 | 107.4 | -0.5 | – |
| Managed Growth | 140.7 | 148.2 | +0.3 | – |
| Managed Opportunity | 144.1 | 151.7 | +0.3 | – |
| NFMC Target Financial | 98.1 | 103.3 | -0.2 | – |
| Pension Funds | | | | |
| Managed Cautionary | 106.9 | 112.6 | -0.5 | – |
| Managed Growth | 144.8 | 152.5 | +0.3 | – |
| Managed Opportunity | 146.5 | 154.3 | +0.4 | – |
| NFMC Target Mngd Pen | 1497.9 | 1576.8 | -8.0 | – |
| **National Mutual Life** | | | | |
| The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422 | | | | |
| Managed Fund | 221.0 | 233.6 | ... | – |
| Managed Prospect Fund | 186.3 | 196.2 | ... | – |
| Pens Managed | 289.3 | 304.6 | ... | – |
| Pens UK Equity | 334.0 | 351.6 | ... | – |
| Pens Overseas Equity | 417.3 | 439.3 | ... | – |
| Pens Property | 159.9 | 168.4 | ... | – |
| Pens Fixed Interest | 169.0 | 177.9 | ... | – |
| Pens Index Linked | 142.2 | 149.7 | ... | – |
| Pens Deposit | 191.9 | 202.0 | ... | – |
| Harvester & P.R.P. | | | | |
| UK Equity | 146.0 | 153.7 | ... | – |
| Overseas Equity | 149.4 | 157.3 | ... | – |
| Fixed Interest | 115.5 | 121.6 | ... | – |
| Property | 133.1 | 140.2 | ... | – |
| Index Linked | 129.2 | 136.0 | ... | – |
| Deposit | 133.1 | 140.2 | ... | – |
| Managed | 145.8 | 153.5 | ... | – |
| With Profits | 136.2 | 143.4 | ... | – |
| **National Provident Institution** | | | | |
| 48 Gracechurch St, London EC3P 3HH 01-623 4200 | | | | |
| Managed | 339.6 | 357.5 | -0.2 | – |
| UK Equity | 431.3 | 454.0 | +2.1 | – |
| Overseas Eq. | 364.1 | 383.3 | -4.2 | – |
| Americas | 274.6 | 289.1 | -2.2 | – |
| Far East | 368.0 | 387.4 | -8.1 | – |
| Property | 220.2 | 231.8 | ... | – |
| Fixed Int. | 206.9 | 217.8 | +0.4 | – |
| Indexed Gilt | 134.0 | 141.1 | +0.6 | – |
| Deposit | 161.0 | 169.5 | ... | – |
| Pension Fund (Accum Units) | | | | |
| Managed | 458.1 | 482.3 | -0.4 | – |
| UK Equity | 533.6 | 561.7 | +2.4 | – |
| Overseas Eq. | 586.1 | 617.0 | -6.9 | – |
| Americas | 362.9 | 382.0 | -2.6 | – |
| Far East | 604.3 | 636.2 | -16.2 | – |
| Property | 271.1 | 285.4 | ... | – |
| Fixed Int. | 249.3 | 262.5 | +0.9 | – |
| Indexed Gilt | 147.0 | 154.8 | +0.8 | – |

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| **Providence Capital Life Assc. Co Ltd — Contd.** | | | | |
| UK Managed Initial | | 115.0 | +0.5 | – |
| Property Initial | | 165.9 | ... | – |
| Money Initial | | 79.3 | ... | – |
| Special Market Initial | | 137.7 | ... | – |
| Japan Equity Initial | | 94.7 | -4.3 | – |
| North American Initial | | 85.3 | -0.3 | – |
| Pacific Initial | | 80.4 | +0.2 | – |
| Technology Initial | | 96.9 | ... | – |
| Nat Resources Initial | | 58.8 | -0.1 | – |
| European Initial | | 108.8 | -0.1 | – |
| Residential Prop Init | | 103.7 | ... | – |
| Swiss Equities Initial | | 36.9 | -0.2 | – |
| Hong Kong Initial | | 50.1 | +0.5 | – |
| UK High Inc Eq Init | | 67.9 | +0.4 | – |
| Int Fixed Interest Init | | 49.1 | +0.5 | – |
| Int Managed Init | | 57.1 | +0.3 | – |
| HIP Managed Init | | 114.2 | +0.5 | – |
| HIP Managed II Initial | | 98.8 | ... | – |
| Broker Funds | | | | |
| High Performance | 76.1 | 80.2 | +0.2 | – |
| Townhill Mngd Ff Acc | 52.2 | 55.0 | -0.4 | – |
| YRA Executive Fd | 92.6 | 97.6 | +0.1 | – |
| £ Global Growth Acc | 130.5 | 137.4 | ... | – |
| £ High Income Money Acc | 111.4 | 117.7 | ... | – |
| IM Balanced | | 56.5 | +0.5 | – |
| H.F. Speculator Fd | | 159.6 | +1.6 | – |
| PEP Acorn II | | 125.8 | +1.0 | – |
| PEP Cautionary | | 87.7 | -0.1 | – |
| AAPS Int Man Fund | | 120.4 | -0.2 | – |
| Andrews-Gross Inv Port | | 103.1 | ... | – |
| Individual Pension Funds | | | | |
| UK Equity Acc | 220.8 | 233.0 | +2.1 | – |
| UK Fixed Interest Acc | 172.2 | 181.7 | -0.3 | – |
| Intl Equities Acc | 254.3 | 268.7 | +2.3 | – |
| UK Managed Acc | 181.1 | 191.0 | +0.9 | – |
| Property Acc | 208.3 | 219.8 | ... | – |
| Money Acc | 137.0 | 144.6 | +0.1 | – |
| Special Market Acc | 278.4 | 293.7 | -0.3 | – |
| Japan Equity Acc | 191.5 | 202.1 | -7.4 | – |
| North American Acc | 133.4 | 140.8 | -0.7 | – |
| Pacific Acc | 197.6 | 208.5 | +0.4 | – |
| Technology Acc | 161.0 | 169.9 | ... | – |
| Natural Resources Acc | 116.5 | 122.9 | -0.2 | – |
| European Acc | 145.8 | 153.8 | -0.2 | – |
| Residential Prop Acc | 114.0 | 120.3 | ... | – |
| Swiss Equities Acc | 38.2 | 40.3 | -0.2 | – |
| Hong Kong Acc | 52.5 | 55.2 | +0.6 | – |
| UK High Inc Eqs Acc | 75.0 | 79.2 | +0.6 | – |
| Int Fixed Interest Acc | 52.3 | 55.2 | +0.5 | – |
| Int Managed Acc | 61.0 | 64.3 | +0.3 | – |
| Group Pension Funds | | | | |
| Equity Acc | 816.6 | 841.9 | -0.8 | – |

**Royal Heritage Life Assurance Ltd—Contd.**

**Royal Life Insurance Ltd**

# OFFSHORE AND OVERSEAS

## GUERNSEY (SIB RECOGNISED)

## MANAGEMENT SERVICES

## IoM (SIB RECOGNISED)

## LUXEMBOURG (SIB RECOGNISED)

## JERSEY (SIB RECOGNISED)

# FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Ivory & Sime (Luxembourg) SA** | | | | | | |
| 13 rue Goethe L-1637 Luxembourg 010 352 4046461 | | | | | | |
| **Atlas Fund** | | | | | | |
| [illegible] | | £- | 2.391 | 2.536 | [illegible] | [illegible] |
| [illegible] | | $- | 2.452 | 2.601 | [illegible] | [illegible] |
| [illegible] | | £- | 1.081 | 1.147 | [illegible] | [illegible] |
| Deut Europe Portfolio | | DM- | 4.466 | 4.734 | [illegible] | 0.45 |
| European Portfolio | | £- | 1.111 | 1.178 | [illegible] | – |
| Japan Portfolio | | $- | 0.815 | 0.864 | | – |
| Pacific Portfolio | | $- | 2.649 | 2.808 | [illegible] | 1.00 |
| Gold Portfolio | | $- | 2.273 | 2.410 | [illegible] | 0.35 |
| UK Growth of Income | | £- | 1.156 | 1.227 | [illegible] | 1.40 |
| Sterling Gilt Portfolio | | £- | 0.907 | 0.960 | [illegible] | 5.00 |
| Global Bond Portfolio | | $- | 1.882 | 1.994 | [illegible] | 5.90 |
| Dollar Portfolio | | $- | 2.060 | 2.061 | ..... | 7.50 |
| Yen Portfolio | | $- | 0.926 | 0.927 | [illegible] | 2.20 |
| Sterling Portfolio | | £- | 1.033 | 1.034 | ..... | 6.40 |
| **Midland International Circuit Fund SICAV** | | | | | | |
| Midland Bank Fund Managers (Jersey) Ltd | | | | | | |
| PO Box 26, St Helier, Jersey 0534 37788 | | | | | | |
| UK Growth | | £- | 1.002 | 1.063 | [illegible] | – |
| European Growth | | £- | 1.089 | 1.156 | [illegible] | – |
| Japan Growth | | £- | 1.007 | 1.069 | | – |
| Pacific Growth | | £- | 1.007 | 1.069 | [illegible] | – |
| Nth American Growth | | £- | 1.040 | 1.104 | [illegible] | – |
| UK Fixed Interest | | £- | 1.007 | 1.069 | | – |
| Multicurrency Bond | | £- | 1.008 | 1.069 | | – |
| UK Stg Liquidity | | £- | 1.008 | 1.070 | | – |
| US$ Liquidity | | £- | 1.048 | 1.111 | [illegible] | – |
| **Morgan Grenfell UT Mgrs/Deutsche Bank** | | | | | | |
| Representative for IfM, Luxembourg | | | | | | |
| 20 Finsbury Circus, EC2M 2UT 01-826 0696 | | | | | | |
| Eurorenta | | DM- | 78.41 | 80.80 | +0.1 | |
| DM Reserve | | DM- | 114.49 | 115.70 | +0.2 | |
| Dollarrenta | | $- | 48.23 | 49.70 | | |
| **Nomura Global Fund** | | | | | | |
| UK dealing agent National Inv Group plc, [illegible] | | | | | | |
| 1/4 Bury Street, London EC3A 5AT 01-283 8030 | | | | | | |
| Asia Pacific P'folio | | | | $8.18 | | |
| **Royal Trust Asset[illegible] Fund** | | | | | | |

[illegible]

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Nikko Capital Mngt (Europe) Ltd** | | | | |
| Japan Index Fund | Y3.514 | 3.349 | | – |
| New Generation Fd. S. | $22.42 | 22.65 | | – |
| Japan Index Alpha | Y11.400 | 11.572 | | – |
| Jap Sector Rotation | Y9.189 | 9.327 | | – |
| **Stronghold Asset Mngmt (Guernsey) Ltd** | | | | |
| Tech and Comm. | $13.81 | 14.65 | | – |
| Pacific Basin Fd. | $110.65 | 117.64 | +0.85 | – |
| Western European | $18.69 | 19.90 | | – |
| **Tyndall International (Guernsey) Ltd** | | | | |
| Capital Defender | $1.27 | 1.35 | +0.01 | – |
| Hi Yield Bond | 63.6 | 66.9 | | 13.3 |
| Internatl. Spec. Sits. | 50.9 | 53.6 | +0.6 | – |
| Maramoeld Fd. | 80.3 | 84.5 | -0.7 | – |
| **U.S. Treasury Securities Fund Ltd** | | | | |
| Short Term Shares | $698.11 | | | |
| Fixed Income Shares | $803.34 | | | |
| **Wellington Fd Mngrs (Guernsey) Ltd** | | | | |
| Intnl Growth Fd. | $13.41 | 14.08 | | |
| **Yamaichi Capital Mangmt (Guernsey) Ltd** | | | | |
| Japan Mira Growth | $11.03 | | -0.40 | – |
| Yamaichi ISS Fund | $7.84 | | -0.39 | – |
| Yamaichi GB Plus Fund | $8.22 | | -0.25 | – |
| Thai Inv Fund | $11.66 | | +0.17 | – |

## JERSEY (**)

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Allied Irish Fund Managers (CI) Ltd** | | | | |
| Sterling Currency Fd. | £14.4184 | | | – |
| [illegible] | $33.7199 | | | – |
| [illegible] | £21.1567 | | | – |
| Ecu | Ecu12.7079 | | | – |
| Irish Gilt Fd | I£186.9084 | | | – |
| Intl Managed Dollar | $23.4634 | | | – |
| Intl Managed Bond. | I£21.1103 | | | – |
| **Barclays Intl Funds** | | | | |

[illegible]

## SWITZERLAND (SIB RECOGNISED)

[illegible]

## CANADA (SIB RECOGNISED)

[illegible]

## GUERNSEY (**)

[illegible]

## ISLE OF MAN (**)

[illegible]

## LUXEMBOURG (**)

[illegible]

## OTHER OFFSHORE FUNDS

[illegible]

## DUBLIN (**)

[illegible]

## OFFSHORE INSURANCES

[illegible]

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Nomura Prudential Fd Pt II** | | | | |
| NAV Mar 22 | $12.17 | | -0.05 | – |
| **Nomura Prudential Global Portfolio** | | | | |
| NAV Mar 22 | $13.66 | | -0.07 | – |
| **Nomura Rosenberg Alpha Fund Mark II** | | | | |
| Portfolio A. NAV. | $13.26 | | | – |
| Portfolio B. NAV | $10.29 | | | – |

[illegible]

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Tudor BVI Futures Ltd** | | | | |
| NAV March 20 | $6163.09 | | | – |
| **Tyndall International (Bermuda) Ltd** | | | | |
| American Special Sits. | $45.15 | 47.39 | +0.06 | – |
| Capital Protection Mar 22 | $10.32 | 10.83 | | – |
| Commodity Mar 22 | $36.03 | 37.53 | | – |
| Eurobond | $27.26 | 28.63 | -0.16 | – |
| Money Mar 22 | $34.31 | 36.03 | | 6.81 |
| Mortgage Mar 22 | C$13.67 | 14.35 | | – |
| North American | $38.11 | 40.02 | +0.04 | – |
| Overseas | $28.41 | 29.84 | -0.05 | – |
| Pacific Gold | $4.93 | 5.18 | -0.09 | – |
| Tiger | $44.79 | 47.04 | +0.41 | – |
| **US Pacific Stock Fund** | | | | |

[illegible]

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Dollar Fd OPUPs | $10.01 | 10.12 | | – |
| Sterling Fd BOPUPs | £9.93 | 9.94 | | – |
| Sterling Fd OPUPs | £11.38 | 11.48 | | – |
| DM Fd BOPUPs | DM9.87 | 9.88 | | – |
| DM Fd OPUPs | DM9.72 | 9.81 | | – |
| Yen Fd BOPUPs | $7.44 | 7.45 | | – |
| Yen Fd OPUPs | $9.93 | 10.02 | | – |
| **Wardley Investment Services Ltd** | | | | |
| Wardley S E Asia Tst | $12.26 | 13.02 | | 0.84 |
| Japanese Warrants | $7.36 | 7.80 | | – |
| Asian Warrants | $9.31 | 9.86 | | – |
| European Warrants | $9.53 | 10.10 | | – |
| **Wells Fargo U.S. IT Fund** | | | | |
| NAV Mar 22 | $9.69 | | | – |
| **Xiphias International Investment Fd Ltd** | | | | |
| Xiphias Int USD | $0.9985 | | | – |
| Xiphias Int ECU | Ecu1.0023 | | | – |
| **Yamaichi Dynamic Mngt Co SA** | | | | |
| Advanced Tech | $52.85 | | | – |

## Money Market Trust Funds

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **Charities Aid Fndtn Money Mngmt Co Ltd** | | | | |
| 48 Pembury Road, Tonbridge TN9 2JD | | | 0732 770114 | |
| Cafcash Deposit Fd | 14.95 | -1 | 15.81 | 3-Mth |
| **The Charities Deposit Fund** | | | | |
| 2 Fore Street, London EC2Y 5AQ | | | 01-588 1815 | |
| Deposit | 14.95 | -1 | 15.81 | 3-Mth |
| **Gartmore Money Management Ltd** | | | | |
| 2-3 White Hart Yard, London SE1R 1NX | | | 01-236 1425 | |
| Call Fnd | 14.94 | 11.69 | 16.04 | 6-Mth |
| 7-day Fund | 15.02 | 11.75 | 16.13 | 6-Mth |
| Special Fund | 14.85 | - | 16.35 | Mth |
| Dollar | 7.00 | 5.48 | 7.45 | 3-Mth |

## Money Market Bank Accounts

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **Aitken Hume Bank plc** | | | | |
| 30 City Road, EC1Y 2AY | | | 01-638 6070 | |
| Treasury Acc | 13.50 | 10.56 | 14.40 | Qtr |
| Mthly Inc £1,000-£4,999 | 13.50 | 10.56 | 14.77 | Mth |
| Mth Inc Chq £5,000-£49,999 | 14.00 | 10.95 | 15.35 | Mth |
| Mth Inc Chq £50,000+ | 14.50 | 11.35 | 15.44 | Mth |
| **Allied Trust Bank Ltd** | | | | |
| 97-101 Cannon St, London, EC4N 5AD | | | 01-626 0879 | |
| OMNA (£2,001+) | 14.78 | 11.57 | 16.265 | Mth |
| HICA (£2,001+) | 13.90 | 10.88 | 15.248 | Mth |
| **Bank of Ireland High Interest Cheque Acc** | | | | |
| 36 Queen St, EC4R 1BN | | | 01-625 7000 | |
| 2,000-9,999 | 13.738 | 10.750 | 14.922 | Qtr |
| £10,000+ | 14.058 | 11.000 | 15.283 | Qtr |
| **Bank of Scotland** | | | | |
| 38 Threadneedle St, EC2P 2EN. | | | 01 601 6746 | |

[illegible]

## UNIT TRUST NOTES

[illegible]

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Trade data help nervous pound

STERLING FINISHED firmer, closing near its best levels of the day, but remained very nervous in spite of reasonably good UK trade figures. The current account deficit of £1.4bn in February, was in line with expectations, but there was some disappointment that January's shortfall was revised up to £2.02bn from £1.9bn.

There was also concern that the current account figure was the same as the visible deficit, meaning that the account on invisible trade was flat. This followed earlier data showing a downward revision of invisible earnings for the fourth quarter of last year, but according to those figures the loss of an invisible surplus was the result of a non-recurring payment to the European Community.

Mr Nick Parsons, economist at Union Discount, pointed out that the estimate for invisibles will be carried forward until the next revisions are published and this means there will be no earnings from invisibles for the first four months of the year. He contrasted this with Treasury forecasts that the visible trade deficit for the year will be £16.5bn, but the current account shortfall will be only £15bn. Mr Parsons added that unless there is a substantial improvement - and the trend would argue against this - there is a danger of another over-optimistic set of official forecasts for the current account.

Nevertheless the pound improved after the UK Treasury claimed the figures were clear evidence that the trade deficit is narrowing, and noted that the current account deficit *in the three months to February* had fallen to £4.6bn from £5.9bn in the previous three months. Mrs Margaret Thatcher, the UK Prime Minister, told Parliament that the latest figures provide "further evidence that the deficit is narrowing, and that our policies are working." At the close in London the pound had gained 70 points to $1.6015. It also improved to *DM2.7300 from* DM2.7225; to Y248.25 from Y245.75; and to FFr9.2050 from FFr9.1850, but was unchanged at SFr2.4250. On Bank of England figures sterling's index rose 0.3 to 85.8.

Lack of fresh US economic data kept the dollar quiet, but Thursday's sharp fall in Japanese share prices and tension in the Soviet Union, involving Lithuania's claim of independence, provided the US currency with underlying support.

The Bank of Japan intervened heavily to support the yen, selling over $1bn according to market estimates. The dollar closed at Y154.85 in Tokyo, but in European trading rose above Y155.00, to finish at Y155.05 in London against Y154.15 on Wednesday, the highest closing level since January 1987.

The dollar eased a little against the D-Mark however, falling to DM1.7050 from *DM1.7075 at the London* close and also declining to SFr1.5145 from SFr1.5210 and to FFr5.7475 from FFr5.7600. According to the Bank of England the dollar's index rose 0.1 to 68.9.

### £ IN NEW YORK

| Mar 22 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.6030-1.6040 | 1.5935-1.5945 |
| 1 month | 0.94-0.93pm | 0.93-0.92pm |
| 3 months | 2.75-2.72pm | 2.76-2.73pm |
| 12 months | 9.70-9.60pm | 9.47-9.40pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

| | Mar.22 | Previous |
|---|---|---|
| 8.30 am | 85.9 | 85.4 |
| 9.00 am | 85.8 | 85.3 |
| 10.00 am | 85.7 | 85.4 |
| 11.00 am | 85.8 | 85.4 |
| Noon | 85.8 | 85.5 |
| 1.00 pm | 85.7 | 85.4 |
| 2.00 pm | 85.8 | 85.4 |
| 3.00 pm | 85.8 | 85.4 |
| 4.00 pm | 85.8 | 85.5 |

### CURRENCY RATES

| Mar.22 | Bank rate % | Special* Drawing Rights | European † Currency Unit |
|---|---|---|---|
| Sterling | - | 0.813869 | 0.746758 |
| U S Dollar | 7 | 1.29747 | 1.19106 |
| Canadian $ | 13.32 | 1.52699 | 1.40066 |
| Austrian Sch | 6½ | 15.5554 | 14.3513 |
| Belgian Franc | 10¼ | 45.9434 | 42.2775 |
| Danish Krone | 10½ | 8.46405 | [illegible] |
| Deutsche Mark | 6.00 | 2.21167 | 2.03913 |
| Neth Guilder | 7.00 | 2.49049 | 2.29638 |
| French Franc | 10¼ | 7.46694 | 6.87255 |
| Italian Lira | 13½ | 1631.89 | 1502.07 |
| Japanese Yen | 4¼ | N/A | 184.915 |
| Norway Krone | 8 | 8.57238 | 7.88971 |
| Spanish Peseta | - | 141.619 | 130.411 |
| Swedish Krona | 12 | 8.00993 | [illegible] |
| Swiss Franc | 6.00 | 1.97280 | 1.81282 |
| Greek Drach | 20½ | [illegible] | 195.313 |
| Irish Punt | - | 0.830751 | 0.764590 |

† European Commission Calculations.
* All SDR rates are for Mar.21

### CURRENCY MOVEMENTS

| Mar.22 | Bank of England Index | Morgan* Guaranty Changes % |
|---|---|---|
| Sterling | 85.8 | [illegible] |
| U.S. Dollar | [illegible] | [illegible] |
| Canadian Dollar | [illegible] | [illegible] |
| Austrian Schilling | [illegible] | [illegible] |
| Belgian Franc | [illegible] | [illegible] |
| Danish Krone | [illegible] | [illegible] |
| Deutsche Mark | [illegible] | [illegible] |
| Swiss Franc | [illegible] | [illegible] |
| Guilder | [illegible] | [illegible] |
| French Franc | [illegible] | [illegible] |
| Lira | [illegible] | [illegible] |
| Yen | [illegible] | [illegible] |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for Mar 21

### OTHER CURRENCIES

| Mar.22 | £ | $ |
|---|---|---|
| Argentina | [illegible] | [illegible] |
| Australia | [illegible] | [illegible] |
| Brazil | [illegible] | [illegible] |
| Finland | [illegible] | [illegible] |
| Greece | [illegible] | [illegible] |
| Hong Kong | [illegible] | [illegible] |
| Iran | [illegible] | [illegible] |
| Korea(Sth) | [illegible] | [illegible] |
| Kuwait | 0.4680-0.4685 | 0.2930-0.2935 |
| Luxembourg | 56.65-56.75 | 35.35-35.45 |
| Malaysia | 4.3565-4.3680 | 2.7290-2.7310 |
| Mexico | 4420.95-4425.35 | 2769.50-2770.50 |
| N Zealand | 2.7540-2.7590 | 1.7225-1.7245 |
| Saudi Ar | 5.9820-5.9880 | 3.7500-3.7510 |
| Singapore | 3.0050-3.0125 | 1.8800-1.8820 |
| S Af (Cm) | 4.1975-4.2090 | 2.6285-2.6300 |
| S Af (Fn) | 6.0235-6.1395 | 3.7735-3.8460 |
| Taiwan | 42.05-42.15 | 26.35-26.40 |
| U.A.E. | 5.8570-5.8640 | 3.6175-3.6185 |

*Selling rate

### EURO-CURRENCY INTEREST RATES

| Mar 22 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | [illegible] | [illegible] | 15¼-15⅛ | [illegible] | [illegible] | [illegible] |
| US Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Can. Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| D. Guilder | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sw. Franc | 9-8¾ | 9-8¾ | [illegible] | [illegible] | [illegible] | [illegible] |
| Deutschmark | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Fr. Franc | 10¼-10 | 10¼-10 | 10¼-10⅛ | [illegible] | [illegible] | 11-10⅞ |
| Italian Lira | 13-11 | [illegible] | [illegible] | [illegible] | 13-12¾ | [illegible] |
| Belgian Franc | 10½-10¼ | 10½-10¼ | [illegible] | [illegible] | [illegible] | [illegible] |
| Yen | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| D. Krone | [illegible] | 12-11⅞ | [illegible] | [illegible] | [illegible] | [illegible] |
| Asian $Sing | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Long term Eurodollars: two years 9¼-9 per cent; three years 9⅜-9¼ per cent; four years 9½-9⅜ per cent; five years 9½-9¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### POUND SPOT - FORWARD AGAINST THE POUND

| Mar.22 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.5915-1.6050 | 1.6010-1.6020 | 0.91-0.89cpm | 6.74 | 2.69-2.66pm | 6.68 |
| Canada | 1.8795-1.9015 | 1.8870-1.8880 | 0.35-0.29cpm | 2.04 | 1.02-0.90pm | 2.04 |
| Netherlands | 3.06¼-3.08 | 3.06¾-3.07¾ | 1¾-1⅝cpm | 6.60 | 5-4⅞pm | 6.44 |
| Belgium | 56.45-56.75 | 56.65-56.75 | 29-17cpm | 4.88 | 77-59pm | 4.81 |
| Denmark | 10.41¾-10.46¾ | [illegible] | 3-2¼orepm | 3.09 | 9-8¼pm | 3.28 |
| Ireland | 1.0208-1.0290 | 1.0246-1.0255 | 0.35-0.30ppm | 3.80 | 0.70-0.60pm | 2.54 |
| W. Germany | 2.72¼-2.73¾ | [illegible] | 1¾-1⅝pfpm | 7.42 | 4¾-4½pm | 6.87 |
| Portugal | 240.90-242.30 | 241.30-242.30 | 6-22cdis | -0.69 | 84-110dis | -1.60 |
| Spain | 174.20-174.65 | 174.30-174.60 | 17-10cpm | 0.93 | 44-31pm | 0.86 |
| Italy | 2009½-2015 | 2010¼-2011¼ | 5¾-3½lirepm | 2.72 | 15-11½pm | 2.64 |
| Norway | 10.55¼-10.59½ | [illegible] | 3-2¼orepm | 3.05 | 9-8¼pm | 3.24 |
| France | 9.19¼-9.22½ | 9.20-9.21 | 3¾-3½cpm | 4.90 | 11-10½pm | 4.68 |
| Sweden | 9.85-9.90 | 9.87½-9.88½ | [illegible] | 0.76 | 2¼-1½pm | 0.74 |
| Japan | 246¾-248¼ | 247¾-248¾ | 1¾-1¼ypm | 7.98 | 4¾-4¼pm | 7.98 |
| Austria | 19.18-19.24 | 19.21-19.24 | 9¾-9¼gropm | 5.93 | 30¾-28¼pm | 6.14 |
| Switzerland | [illegible] | 2.42-2.43 | 1¾-1⅝cpm | 9.87 | 3¾-3⅝pm | 6.08 |
| ECU | 1.3330-1.3395 | 1.3385-1.3395 | 0.55-0.52cpm | 5.38 | 1.53-1.48pm | 5.04 |

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.19-5.14cpm 12 months 9.41-9.31pm

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

| Mar.22 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.5915-1.6050 | 1.6010-1.6020 | 0.91-0.89cpm | 6.74 | 2.69-2.66pm | 6.68 |
| Ireland† | 1.5555-1.5640 | 1.5635-1.5645 | 0.45-0.40cpm | 3.27 | 1.63-1.53pm | 4.05 |
| Canada | 1.1755-1.1810 | 1.1770-1.1780 | 0.46-0.48cdis | [illegible] | 1.37-1.42dis | -4.73 |
| Netherlands | 1.9170-1.9295 | 1.9175-1.9185 | [illegible] | -0.09 | 0.07-0.12dis | -0.20 |
| Belgium | 35.30-[illegible] | 35.35-[illegible] | [illegible] | [illegible] | 12.00-22.00dis | -1.93 |
| Denmark | 6.51½-6.56 | 6.53¼-6.52¾ | 1.90-2.10oredis | [illegible] | 1.70-4.15dis | [illegible] |
| W. Germany | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Portugal | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Spain | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Italy | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Norway | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| France | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sweden | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Japan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Austria | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Switzerland | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| ECU | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu Mar.22 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 42.1679 | 42.2773 | [illegible] | [illegible] | ±1.5508 |
| Danish Krone | 7.79845 | [illegible] | [illegible] | [illegible] | [illegible] |
| German D-Mark | 2.04446 | [illegible] | [illegible] | [illegible] | [illegible] |
| French Franc | 6.86402 | [illegible] | [illegible] | [illegible] | [illegible] |
| Dutch Guilder | 2.30358 | [illegible] | [illegible] | [illegible] | [illegible] |
| Irish Punt | 0.763159 | [illegible] | [illegible] | [illegible] | [illegible] |
| Italian Lira | 1529.70 | [illegible] | [illegible] | [illegible] | [illegible] |
| Spanish Peseta | 132.889 | [illegible] | [illegible] | [illegible] | [illegible] |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### EXCHANGE CROSS RATES

| Mar.22 | £ | $ | DM | Yen | F Fr. | S Fr. | N Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| £ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| $ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| DM | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| YEN | [illegible] | [illegible] | [illegible] | 1000. | [illegible] | 37.07 | 9.766 | 12.35 | 7.604 | 228.4 |
| F Fr. | 1.086 | 1.740 | 2.966 | 269.7 | 10. | 2.634 | 3.338 | 2185 | 2.051 | 61.60 |
| S Fr. | 0.412 | 0.661 | 1.126 | 102.4 | 3.796 | 1. | 1.267 | 829.3 | 0.779 | 23.38 |
| N Fl. | 0.325 | 0.521 | [illegible] | 80.80 | 2.995 | 0.789 | 1. | 654.4 | 0.614 | [illegible] |
| Lira | 0.497 | [illegible] | 1.358 | 123.5 | 4.577 | 1.206 | 1.528 | 1000. | 0.939 | 28.19 |
| C $ | 0.530 | 0.849 | 1.446 | 131.5 | 4.876 | 1.284 | 1.628 | 1065 | 1. | 30.03 |
| B Fr. | 1.764 | 2.825 | 4.815 | 437.9 | 16.23 | 4.277 | 5.420 | 3547 | 3.330 | 100. |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## FINANCIAL FUTURES AND OPTIONS

### LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

| Strike Price | Calls-settlements Jun | Calls-settlements Sep | Puts-settlements Jun | Puts-settlements Sep |
|---|---|---|---|---|
| 77 | [illegible] | [illegible] | [illegible] | [illegible] |
| 78 | [illegible] | [illegible] | [illegible] | [illegible] |
| 79 | [illegible] | [illegible] | [illegible] | [illegible] |
| 80 | [illegible] | [illegible] | [illegible] | [illegible] |
| 81 | [illegible] | [illegible] | [illegible] | [illegible] |
| 82 | [illegible] | [illegible] | [illegible] | [illegible] |
| 83 | [illegible] | [illegible] | [illegible] | [illegible] |
| 84 | [illegible] | [illegible] | [illegible] | [illegible] |

Estimated volume total, Calls 432 Puts 750
Previous day's open int. Calls [illegible] Puts [illegible]

### LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

| Strike Price | Calls-settlements Jun | Calls-settlements Sep | Puts-settlements Jun | Puts-settlements Sep |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

| Strike Price | Calls-settlements Jun | Calls-settlements Sep | Puts-settlements Jun | Puts-settlements Sep |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### LIFFE EUROMARK OPTIONS DM1m points of 100%

| Strike Price | Calls-settlements Jun | Calls-settlements Sep | Puts-settlements Jun | Puts-settlements Sep |
|---|---|---|---|---|
| 9025 | [illegible] | [illegible] | [illegible] | [illegible] |
| 9050 | [illegible] | [illegible] | [illegible] | [illegible] |
| 9075 | [illegible] | [illegible] | [illegible] | [illegible] |
| 9100 | [illegible] | [illegible] | [illegible] | [illegible] |
| 9125 | [illegible] | [illegible] | [illegible] | [illegible] |
| 9150 | [illegible] | [illegible] | [illegible] | [illegible] |
| 9175 | [illegible] | [illegible] | [illegible] | [illegible] |
| 9200 | [illegible] | [illegible] | [illegible] | [illegible] |

### LIFFE EURODOLLAR OPTIONS

| Strike Price | Calls-settlements Jun | Calls-settlements Sep | Puts-settlements Jun | Puts-settlements Sep |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

| Strike Price | Calls-settlements Jun | Calls-settlements Sep | Puts-settlements Jun | Puts-settlements Sep |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### LONDON (LIFFE)

| Contract | Close | High | Low | Prev. |
|---|---|---|---|---|
| 20-YEAR 9% NOTIONAL GILT | [illegible] | [illegible] | [illegible] | [illegible] |
| US TREASURY BONDS 8% | [illegible] | [illegible] | [illegible] | [illegible] |
| 6% NOTIONAL GERMAN GOVT. BOND | [illegible] | [illegible] | [illegible] | [illegible] |
| 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND | [illegible] | [illegible] | [illegible] | [illegible] |
| THREE MONTH STERLING | [illegible] | [illegible] | [illegible] | [illegible] |
| THREE MONTH EURODOLLAR | [illegible] | [illegible] | [illegible] | [illegible] |
| THREE MONTH EUROMARK | [illegible] | [illegible] | [illegible] | [illegible] |
| THREE MONTH ECU | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE 100 INDEX | [illegible] | [illegible] | [illegible] | [illegible] |

Previous day's open int. 25990 (24429)

### POUND-$ (FOREIGN EXCHANGE)

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.6015 | 1.5925 | 1.5748 | 1.5499 | 1.5079 |

### IMM-STERLING $s per £

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Jun | 1.5746 | 1.5780 | 1.5690 | 1.5655 |
| Sep | 1.5580 | 1.5524 | 1.5500 | 1.5540 |

### CHICAGO

| Contract | Latest | High | Low | Prev. |
|---|---|---|---|---|
| U.S. TREASURY BONDS (CBT) 8% | [illegible] | [illegible] | [illegible] | [illegible] |
| U.S. TREASURY BILLS (IMM) | [illegible] | [illegible] | [illegible] | [illegible] |
| JAPANESE YEN (IMM) | [illegible] | [illegible] | [illegible] | [illegible] |
| DEUTSCHE MARK (IMM) | [illegible] | [illegible] | [illegible] | [illegible] |
| SWISS FRANC (IMM) | [illegible] | [illegible] | [illegible] | [illegible] |
| THREE-MONTH EURODOLLAR (IMM) | [illegible] | [illegible] | [illegible] | [illegible] |
| STANDARD & POORS 500 INDEX | [illegible] | [illegible] | [illegible] | [illegible] |

### PHILADELPHIA SE £/$ OPTIONS

| Strike Price | Calls | Puts |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

### 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

| | Open | Close | Change | High | Low | Yield | Open int. |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### OPTION ON LONG-TERM FRENCH BOND (MATIF)

| Strike | Calls | Puts |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

### THREE-MONTH PIBOR FUTURES (MATIF)

| | Open | Close | Change | High | Low | Yield | Open int. |
|---|---|---|---|---|---|---|---|
| June | 89.17 | 89.28 | +0.10 | 89.30 | 89.16 | 10.72 | 13,411 |
| September | 89.13 | 89.25 | +0.11 | 89.26 | 89.13 | 10.75 | 4,592 |
| December | 89.10 | 89.38 | +0.08 | 89.20 | 89.10 | 10.80 | 2,486 |
| March | - | - | - | - | - | - | - |

Estimated volume 9,849 Total Open Interest 20,827

### CAC-40 FUTURES (MATIF) Stock Index

| | Open | Close | Change | High | Low | Open int. |
|---|---|---|---|---|---|---|
| March | 1936.0 | 1925.0 | -23.5 | 1937.5 | [illegible] | [illegible] |
| April | 1930.0 | 1927.0 | -23.0 | [illegible] | 1922.0 | 2,213 |
| May | 1933.0 | 1932.0 | -39.0 | 1936.0 | 1932.0 | [illegible] |
| June | - | - | - | - | - | 37 |

Estimated volume 6,169 Total Open Interest 7,917

### BASE LENDING RATES

| Bank | % |
|---|---|
| ABN Bank | 15 |
| Adam & Company | 15 |
| Allied Trust Bank | 15 |
| Allied Irish Bank | 15 |
| ● Henry Ansbacher | 15 |
| Associates Cap Corp | 15½ |
| ● B & C Merchant Bank | 15 |
| Bank of Baroda | 15 |
| Banco Bilbao Vizcaya | 15 |
| Bank Hapoalim | 15 |
| Bank Credit & Comm | 15 |
| Bank of Cyprus | 15 |
| Bank of Ireland | 15 |
| Bank of India | 15 |
| Bank of Scotland | 15 |
| Banque Belge Ltd | 15 |
| Barclays Bank | 15 |
| Benchmark Bank PLC | 15 |
| Brit Bk of Mid East | 15 |
| ● Brown Shipley | 15 |
| CL Bank Nederland | 15 |
| ● Charterhouse Bank | 15 |
| Citibank NA | 15 |
| City Merchants Bank | 15 |
| Clydesdale Bank | 15 |
| Comm Bk N East | 15 |
| Co-operative Bank | *15 |
| Coutts & Co | 15 |
| Cyprus Popular Bk | 15 |
| Dunbar Bank PLC | 15 |
| Duncan Lawrie | 15 |
| Equatorial Bank plc | [illegible] |
| Exeter Trust Ltd | 15½ |
| Financial & Gen. Bank | 15 |
| First National Bank Plc. | 16½ |
| ● Robert Fleming & Co. | 15 |
| Robert Fraser & Ptrs. | 15½ |
| Girobank | 15 |
| ● Guinness Mahon | 15 |
| HFC Bank plc | 15 |
| ● Hambros Bank | 15 |
| Hampshire Trust Plc | 15½ |
| Heritable & Gen Inv Bnk. | 15 |
| ● Hill Samuel | §15 |
| C. Hoare & Co. | 15 |
| Hongkong & Shangh | 15 |
| ● Leopold Joseph & Sons | 15 |
| Lloyds Bank | 15 |
| Meghraj Bank Ltd | 15 |
| McDonnell Douglas Bnk. | 15 |
| Midland Bank | 15 |
| Mount Banking | 15 |
| Nat Bk. of Kuwait | 15 |
| NatWestminster | 15 |
| Northern Bank Ltd | 15 |
| Norwich Gen. Trust | 15 |
| Nykredit Mortgage Bank | 15½ |
| PRIVATbanken Limited | 15 |
| Provincial Bank PLC | 16 |
| Roxburghe Guarantee | 15½ |
| Royal Bk of Scotland | 15 |
| Royal Trust Bank | 15 |
| ● Smith & Williamson Secs. | 15 |
| Standard Chartered | 15 |
| TSB | 15 |
| ● United Bk of Kuwait | 15 |
| United Mizrahi Bank | 15 |
| Unity Trust Bank Plc | 15 |
| Western Trust | 15 |
| Westpac Bank Corp. | 15 |
| Whiteaway Laidlaw | 15 |
| Yorkshire Bank | 15 |

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Sayewise 8.5%, Top Tier-£50,000+ instant access 13.7% § Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

## MONEY MARKETS

# Nervous trading

INTEREST RATES in London hovered nervously, with three-month interbank at 15⅝-15½ per cent, as the UK trade figures were announced yesterday. After a recent spate of poor economic data, and disappointment at the UK Budget, the current account deficit of £1.4bn in February came as a relief, and was down from the January shortfall of £2.02bn.

**UK clearing bank base lending rate 15 per cent from October 5**

There was little obvious reaction, but as the pound improved three-month interbank held steady and finished unchanged at 15½-15⅜ per cent. One-year money was quoted at 15⅞-15¾, against 15⅞-15¾ per cent.

Short sterling futures opened firmer on Liffe at 84.62 for June delivery, and were rather nervous following publication of the trade figures, touching a peak of 84.69, before closing at 84.63 against 84.57 on Wednesday.

Day-to-day credit was in very short supply. The Bank of England initially forecast a money market shortage of £1,250m, but revised this to £1,300m at noon, and back to £1,250m in the afternoon. Total help of £1,191m was provided.

An early round of help was offered, and at that time the authorities bought £286m bank bills outright in band 2 at 14⅞ per cent. Before lunch another £199m bills were purchased, by way of £11m bank bills in band 1 at 14⅞ per cent and £188m bank bills in band 2 at 14⅞ per cent.

In the afternoon the Bank of England bought £401m bills, via £278m bank bills in band 1 at 14⅞ per cent and £123m bank bills in band 2 at 14⅞ per cent. Late assistance of around £305m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £919m, with the unwinding of repurchase agreements on bills absorbing £407m, and a rise in the note circulation £95m. These outweighed Exchequer transactions adding £170m to liquidity.

In Frankfurt call money fell to 7.70 per cent from 7.80, as redemption of Federal Government bonds added liquidity. Banks reserve holdings rose sharply to DM67.0bn on Tuesday, from DM61.4bn on Monday, to average DM62.8bn for the first 20 days of March. This is well above the expected reserve requirement for the whole month, but conditions are likely to tighten at the end of the week as tax payments withdraw funds from the market.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Mar.22) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 8⅝ | offer 8¾ | bid 8⅞ | offer 8 15/16 |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

### MONEY RATES

**NEW YORK** (Lunchtime)

| | |
|---|---|
| Prime rate | 10 |
| Broker loan rate | 9¾ |
| Fed.funds | 8¼ |
| Fed.funds at intervention | - |

Treasury Bills and Bonds

| | | | |
|---|---|---|---|
| One month | 7.69 | Three year | [illegible] |
| Two month | 7.95 | Four year | 8.61 |
| Three month | 8.17 | Five year | 8.55 |
| Six month | 8.25 | Seven year | 8.57 |
| One year | 8.31 | 10-year | 8.50 |
| Two year | 8.60 | 30-year | 8.44 |

| Mar 22 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 7.65-7.75 | 8.10-8.25 | 8.15-8.30 | 8.25-8.40 | 8.70-8.85 | 8.00 |
| Paris | 10⅞-10¾ | 10⅞-10⅞ | - | 10⅞-10⅞ | - | 10.00 |
| Zurich | 7¾-8¼ | 8¾-9 | - | 8⅞-9⅛ | - | - |
| Amsterdam | 8.06-8.18 | 8.43-8.50 | - | 8.62-8.70 | - | - |
| Tokyo | 6⅞-6⅞ | 7⅞-7⅞ | - | 7⅞-7⅞ | - | - |
| Milan | 12½-13¼ | 13-13¼ | - | 13¼-13⅜ | - | - |
| Brussels | 8.95 | 10¼-10⅜ | - | 10¼-10⅜ | - | - |
| Dublin | 10¼-10⅞ | 10⅞-11 | 12¼-12⅜ | 12⅜-12⅞ | 13⅛-13⅜ | - |

### LONDON MONEY RATES

| Mar 22 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank Offer | 15½ | 15⅛ | 15⅝ | 15½ | 15 11/16 | 15¾ |
| Interbank Bid | 14 13/16 | 14¾ | 15½ | 15⅜ | 15⅝ | 15⅝ |
| Sterling CDs | - | - | 15⅜ | 15⅜ | 15⅜ | 15⅝ |
| Local Authority Deps. | 14 13/16 | 14 13/16 | 15⅛ | 15⅜ | 15⅜ | 15⅝ |
| Local Authority Bonds | - | - | - | - | - | - |
| Discount Mkt Deps. | 15⅛ | 14⅞ | 14 13/16 | 14⅞ | - | - |
| Company Deposits | - | - | 15⅝ | 15⅝ | 15⅝ | 15⅝ |
| Finance House Deposits | - | - | 15⅛ | 15⅝ | 15⅝ | 15 13/16 |
| Treasury Bills (Buy) | - | - | 14⅞ | 14 13/16 | - | - |
| Bank Bills (Buy) | - | - | 14 13/16 | 14⅞ | 14½ | - |
| Fine Trade Bills (Buy) | - | - | 15 13/16 | 15⅝ | 15⅝ | - |
| Dollar CDs | - | - | 8.30 | 8.45 | 8.65 | 8.88 |
| SDR Linked Dep. Offer | - | - | 9⅛ | 9⅜ | 9⅜ | 9⅞ |
| SDR Linked Dep. Bid | - | - | 9 | 9⅜ | 9⅜ | 9⅜ |
| ECU Linked Dep. Offer | - | - | 10¾ | 10⅞ | 11⅛ | 11¼ |
| ECU Linked Dep. Bid | - | - | 10⅞ | 10¾ | 11 | 11¼ |

Treasury Bills (sell); one-month 14 13/16 per cent; three months 14 13/16 per cent; Bank Bills (sell): one-month 14¾ per cent; three months 14¾ per cent; Treasury Bills; Average tender rate of discount 14.6165 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day February 28 .1990 . Agreed rates for period March 26 1990 to April 24 , 1990, Scheme I: 15.87 p.c., Schemes II & III: 16.41 p.c. Reference rate for period Feb.1,1990 to February 28 , 1990, Scheme IV&V: 15.141 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from March 1 , 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989 . Deposits withdrawn for cash 5 per cent.



## COMPANY NOTICE

# De Beers Consolidated Mines Limited

(Incorporated in the Republic of South Africa)
Registration No. 11/00007/06

**NOTICE TO HOLDERS OF DEFERRED SHARE WARRANTS TO BEARER PAYMENT OF COUPON NO. 84**

With reference to the notice of declaration of dividend advertised in the Press on 7th March, 1990, the following information is published for holders of share warrants to bearer.

The dividend of 217.5 cents per share was declared in South African currency. South African non-resident shareholders' tax at 29.3625 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 188.1375 cents per share.

The dividend on bearer shares will be paid on or after 9th May, 1990 against surrender of coupon No. 84 detached from share warrants to bearer as under -

(a) At the offices of the following continental paying agents:

L'Europeenne de Banque, 21 rue Laffitte, 75428 Paris
Banque Bruxelles Lambert, 24 Avenue Marnix, 1050 Brussels
Generale de Banque, 3 Montagne du Parc, 1000 Brussels
Credit Suisse, Paradeplatz 8, 8021 Zurich
Union Bank of Switzerland, Bahnhofstrasse 45, 8021 Zurich
Swiss Bank Corporation, 1 Aeschenvorstadt, 4002 Basle
Banque Internationale a Luxembourg S.A., 2 Boulevard Royal, Luxembourg

Payments in respect of coupons lodged at the offices of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel Bank Limited, 45 Beech Street, London, EC2P 2LX. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:

(i) In respect of coupons lodged on or prior to 1st May, 1990, at the United Kingdom currency equivalent of the rand currency value of their dividend on 26th March, 1990; or

(ii) In respect of coupons lodged after 1st May, 1990, at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the Securities Department of Hill Samuel Bank Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10.00a.m. and 3.00p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel Bank Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 163.125 cents per share arrived at as follows:

| | South African Currency Cents Per Share |
|---|---|
| Amount of dividend declared | 217.5000 |
| Less: South African non-resident Shareholders' tax at 13.5% | 29.3625 |
| | 188.1375 |
| Less: U.K. Income tax at 11.5% of the gross amount of the dividend of 217.5 cents | 25.0125 |
| | 163.1250 |

For and on behalf of
**ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED**
London Secretaries, G A Wilkinson

London Office:
40 Holborn Viaduct, London EC1P 1AJ

22nd March, 1990

NOTE:
The Company has been requested by the Commissioners of Inland Revenue to state:
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 11.5% instead of the basic rate of 25% represents an allowance of credit at the rate of 13.5%.

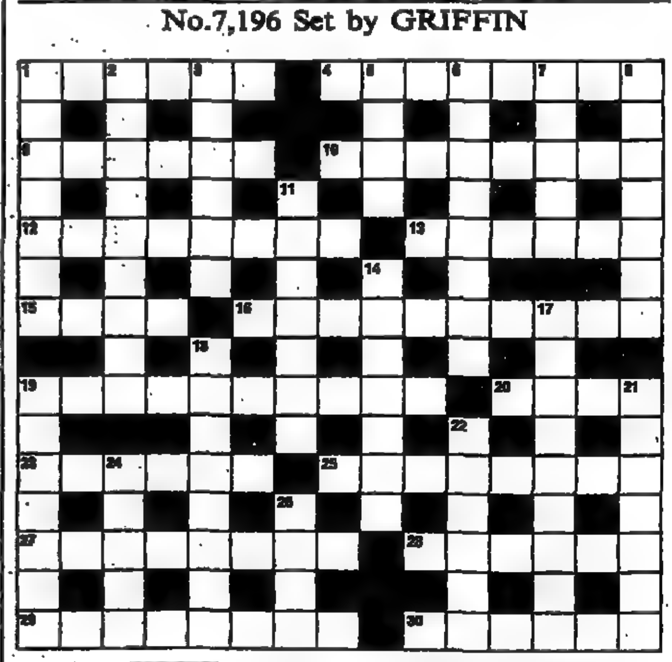
De Beers
De Beers Consolidated Mines Limited



JOTTER PAD

## CROSSWORD

No.7,196 Set by GRIFFIN



**ACROSS**
1 Claim member has taken drink outside (6)
4 Grouse when lacking a note on service (8)
9 Advance payment means travellers can use it (6)
10 Sidetrack many a strict doctor (8)
12 Return to harvest fruit (8)
13 Poles always installed running water (6)
15 I turned blue hanging around platform (4)
16 Thick-skinned individual gets rich sooner, perhaps (10)
19 Working for pleasure, turned it on in California (10)
20 County star makes a come-back (4)
23 Reprobate saying a cutting thing (6)
25 Delivered contract written in Russian (8)
27 Overbearing, utter "go back inside" (8)
28 Negligent soldiers fail to hit target (6)
29 Acute poverty - groom admits it's bad (8)
30 Asian banker supplying holy water? (6)

**DOWN**
1 Guaranteed to fool rude cook (7)
2 Scales used by crooked Iran book-keeper (9)
3 Understands the copper has an informer outside (6)
5 Exclude doctor climbing on to it (4)
6 She is game to play alone (8)
7 That is Jack standing inside, angry (5)
8 "Kinky Sex" nurse accepts presents (7)
11 If on a broadcast mum takes Vogue (7)
14 Tip fruit inside when busy (7)
17 Delirious about his new building - it's delightful (9)
18 Visitor jogged in Gert's woolly (8)
19 Footballer fighting in car (7)
21 They barely enjoy camping (7)
22 Information on time for classes (6)
24 City is below standard (5)
26 Stops scraps (4)

**Solution to Puzzle No.7,195**

# WORLD STOCK MARKETS

## AUSTRIA

| March 22 | Sch | + or – |
|---|---|---|
| Austrian Airlines | 4,990 | –70 |
| Creditanstalt | 6,700 | –150 |
| Goesser | 7,930 | +20 |
| Interunfall | 27,500 | –200 |
| Jungbunzlauer | 18,850 | ..... |
| Laenderbank | 1,940 | –10 |
| OeMV | 13,520 | –230 |
| Perlmooser | 2,260 | –20 |
| Reininghaus | 3,120 | ..... |
| Semperit | 190 | +1 |
| Steyr-Daimler | 226 | –3 |
| Veitscher Mag | 1,455 | –5 |
| Verbund | 748 | –5 |

## BELGIUM/LUXEMBOURG

| March 22 | Frs. | + or – |
|---|---|---|
| Arbed | 5,300 | +50 |
| B.B.L. | 2,880 | +50 |
| Bank Intl. a Lux | 13,250 | ..... |
| Banque Gen. De Lux | 14,675 | ..... |
| Banque Nat Belg | 33,000 | –300 |
| Barco | 2,190 | –5 |
| Bekaert B | 16,000 | +25 |
| Ciment CBR | 8,000 | +100 |
| Cobepa | 5,670 | –10 |
| Do. AFV 1 | 5,740 | –10 |
| Cockerill | 208 | –6 |
| Colruyt | 22,000 | ..... |

## FRANCE (continued)

## GERMANY (continued)

## ITALY (continued)

## SWEDEN

## NETHERLANDS

## SWITZERLAND

## NORWAY

## SPAIN

## SOUTH AFRICA

## DENMARK

## FINLAND

## FRANCE

## GERMANY

## ITALY

## JAPAN

## AUSTRALIA (continued)

## HONG KONG

## AUSTRALIA

## MALAYSIA

## SINGAPORE

## CANADA

TORONTO

*2pm prices March 22*

## INDICES

NEW YORK DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA TORONTO

TOKYO - Most Active Stocks

Thursday March 22 1990

*3pm prices March 22*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | – A–A–A – | | | | | | | | |
| 37½ | 26 | AAR | .48 | 1.6 | 18 | 394 | 29¾ | 28¼ | 29½ | –¼ |
| 9¾ | 8½ | ACM n | 1.01 | 12. | | 132 | 8⅞ | 8¾ | 8¾ | –⅛ |
| 11⅛ | 10½ | ACMIn | 1.26 | 11. | | [illegible] | [illegible] | 10⅞ | 11 | +⅛ |
| 9⅞ | 7½ | ACM M | n1.01 | 14. | | 343 | 7⅞ | d 7⅜ | 7⅜ | –⅛ |
| 12⅛ | 11½ | ACMMM | | | | 251 | 11⅝ | 11½ | 11½ | –⅛ |
| 11½ | 10 | ACM Sc | 1.26 | 12. | | 677 | 10⅞ | 10⅝ | 10⅞ | +⅛ |
| 9⅞ | 8⅛ | ACMSp | 1.01 | 12. | | 408 | 8⅞ | 8¾ | 8¾ | |
| 22¼ | 13 | AL Lab | .16 | .8 | 20 | 168 | 21½ | 21 | 21⅛ | –⅝ |
| 4⅛ | 3⅛ | AMCA | .12e | 3.8 | 36 | 66 | 3⅛ | 3⅛ | 3⅛ | –⅛ |
| 6¼ | 3⅛ | AM Intl | | | 10 | 2265 | 3⅛ | d 3 | 3 | –⅛ |
| 23½ | 16⅞ | AM In pf | 2 | 12. | | 25 | 16⅞ | 16¼ | 16¼ | |
| 107¼ | 52½ | AMR | | | 9 | 5907 | 65½ | 63¾ | 64¼ | –1⅛ |
| 24⅞ | 23¼ | ANR pf | 2.12 | 8.9 | | 1 | 23⅞ | 23⅞ | 23⅞ | |
| 5¼ | 3⅛ | ARX | | | | 128 | 3⅛ | 3½ | 3⅝ | –⅛ |
| 72¼ | 39 | ASA | 3a | 5.5 | | 661 | 64⅞ | 63⅞ | 64⅞ | +⅞ |
| 70⅞ | 51 | AbtLab | 1.68 | 2.7 | 16 | 4027 | 64 | 62¼ | 62⅞ | –½ |
| 17¼ | 11¼ | Abitibi g | .50 | | | 600 | 13⅛ | 13¼ | 13¼ | |
| 13 | 8⅞ | AcmeC | .40 | 4.1 | 17 | 41 | 9⅞ | 9⅞ | 9⅞ | |
| 9¼ | 7 | AcmeE | .32 | 3.6 | 11 | 3 | 8⅞ | 8⅞ | 8⅞ | –⅛ |
| 38½ | 27 | Acuson | | | 22 | 271 | 36 | 35¼ | 35½ | –⅛ |
| 16½ | 12⅞ | AdaEx | 2.08e | 13. | | 112 | 15⅞ | 15⅝ | 15⅝ | –⅛ |
| 15⅝ | 7¼ | Adobe | | | | 91 | 12⅞ | 12⅝ | 12⅞ | +½ |
| 20¼ | 16⅞ | Adob pf | 1.84 | 9.9 | | 83 | 18⅞ | 18½ | 18½ | –⅛ |

Continued on Page 51

# NYSE COMPOSITE PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| Continued from previous Page | | | | | | | | | | |
| 60½ | 46½ | ReyMt | 1.80 | 3.3 | 6 | 1179 | 55⅞ | 54⅛ | 54½ | −1½ |
| 45½ | 34 | RhP pfC | | | | 10 | 38¼ | 37¾ | 37¾ | −1 |
| 19 | 14¾ | RhP pfA | | | | 6 | 17 | 17 | 17 | −¼ |
| 3½ | 1⅞ | RhnP wt | | | | 10 | 2⅛ | 2⅛ | 2⅛ | −⅛ |
| 22 | 16½ | RhnPl n | | | | 114 | 19 | 18½ | 18½ | −⅜ |
| 41⅛ | 29½ | RiteAid | .80 | 2.6 | 13 | 1165 | 32⅛ | 31¾ | 31¾ | −¼ |
| 11-32 | ⅛ | RvrOak | | | | 1 | 5-32 | 5-32 | 5-32 | −1-32 |
| 19⅞ | 15¾ | RbtHlf | | | 14 | 12 | 16½ | 16⅜ | 16⅜ | −¼ |
| 12¾ | 9½ | Robtsn | | | 16 | 39 | 10⅜ | 10¼ | 10¼ | |
| 22⅛ | 17 | RochG | 1.56 | 7.7 | 10 | 1095 | 20⅜ | 20¼ | 20⅜ | −⅛ |
| 45¼ | 27½ | RochTl | s1.48 | 4.2 | 17 | 340 | 35 | 34½ | 34⅝ | −⅜ |
| 22⅛ | 18½ | RckCtr | 1.88 | 9.9 | 17 | 330 | 19¼ | 19 | 19 | −¼ |
| 27⅛ | 19⅝ | Rockwl | .78 | 3.6 | 8 | 3004 | 22¼ | 21¾ | 21¾ | −⅜ |
| 181 | 149 | Rkint pf1.35 | | .8 | | 1 | 158 | 158 | 158 | +8 |
| 7⅝ | 4⅞ | RodRen | | | | 10 | 6⅞ | 6¾ | 6¾ | −⅛ |
| 37½ | 28¾ | RoHaas | 1.20 | 3.8 | 12 | 1429 | 32⅛ | 31½ | 31⅝ | |
| 35½ | 18½ | Rohr | | | 72 | 2298 | 21½ | 20⅞ | 21 | +⅛ |
| 14⅞ | 9⅝ | RollinE | .08 | .6 | | 632 | 13 | 12¾ | 12¾ | −⅛ |
| 21 | 15⅞ | Rollins | .56 | 3.3 | 17 | 22 | 17¼ | 17 | 17 | −¼ |
| 9⅞ | 7⅛ | RolLeas | .20 | 2.5 | 9 | 32 | 8⅛ | 8 | 8 | |
| 67⅞ | 36⅛ | Rorer | .84 | 1.3 | 25 | 6096 | 67 | 66¾ | 66¾ | −⅛ |
| 14 | 6⅛ | Rowan | | | | 3849 | 12⅛ | 11¾ | 11¾ | −⅜ |
| 25¾ | 23¼ | RBSct pr1.41e5.9 | | | | 43 | 24⅛ | 24 | 24 | |
| 78⅞ | 60⅛ | RoylD | 3.38e | 4.5 | 6 | 3231 | 75¼ | 74⅛ | 74½ | −¼ |
| 18 | 8½ | Roylnt | .20e | 2.0 | 13 | 29 | 9⅞ | 9¾ | 9⅞ | |
| 10 | 8⅝ | Royce | .52e | 5.7 | | 579 | 9⅛ | 9 | 9⅛ | |
| 37¾ | 26⅝ | Rubmd | .52 | 1.5 | 29 | 486 | 35⅛ | 35 | 35 | −¼ |
| 20 | 13⅞ | RussBr | .40 | 2.8 | 22 | 124 | 14⅝ | 14 | 14⅛ | +⅛ |

[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. [illegible]

# AMEX COMPOSITE PRICES

3pm prices March 22

[illegible]

# NASDAQ NATIONAL MARKET

3pm prices March 22

[illegible]

AMERICA

# Fall in Japan undermines already shaky confidence

## Wall Street

THE PLUNGE in the Tokyo stock market undermined confidence in US shares which have anyway been falling this week on profit-taking, *writes Janet Bush in New York*. At 2 pm, the Dow Jones Industrial Average was 35.36 lower at 2,692.57 on active volume of 103m shares. The Dow lost 10.81 on Wednesday.

Share prices started dropping at the opening in reaction to the sharp drop in Tokyo overnight. The Nikkei 225 plunged 6 per cent during the morning session before recovering about half the ground lost. Nerves about financial markets in Japan have been heightened since it became obvious that the Japanese authorities' belated move to raise the discount rate has failed to restore confidence.

Over the last few weeks, the US market had started to decouple from weakness in the Tokyo market, but this week has once again looked vulnerable, partly because the plunge in Tokyo has coincided with profit-taking in the US. The Dow, even after Wednesday's fall, still stood 6.4 per cent above the most recent closing low of 2,564.19 on February 23.

US equity analysts believe that the US market will drop further in a technical correction to its rally in late February and this month. Yesterday's morning fall on the New York Stock Exchange came on a wave of futures-related programme selling.

There was also selling on other exchanges including the Nasdaq over-the-counter market. At midsession, the Nasdaq Composite index was 3.34 lower at 435.96. Technology stocks were hardest hit. Many had been trading near to their highest levels for a year.

The drop in the equity market was in stark contrast to the Treasury bond market which jumped as much as ¾ point, leaving the yield on the benchmark long bond at 8.43 per cent at midsession.

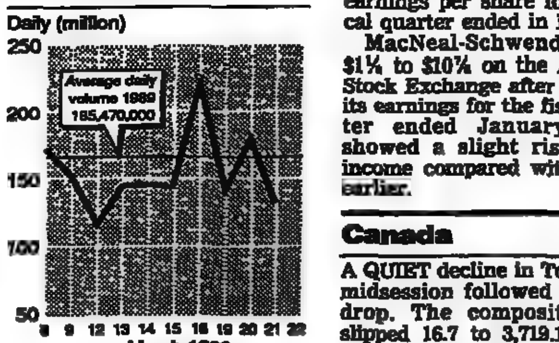
Japanese securities houses based in New York said that there was also selling of stocks out of Tokyo, but they said that it had not been exceptionally heavy.

Among blue chips, IBM fell $¾ to $106½, Procter & Gamble dropped $⅞ to $67⅞ and Merck lost $⅜ to $68¼. Boeing added $1 to $72½. The aircraft manufacturer held a meeting with analysts on Wednesday which appeared to impress them. Merrill Lynch assigned a top investment rating to the stock and Prudential-Bache Securities boosted its estimate of first-quarter income.

Kaufman & Broad Home dropped $⅜ to $12⅛ in reaction to a drop in the company's earnings per share for the fiscal quarter ended in February.

MacNeal-Schwendler fell $1⅛ to $10⅞ on the American Stock Exchange after releasing its earnings for the fiscal quarter ended January which showed a slight rise in net income compared with a year earlier.

**NYSE volume**




## Canada

A QUIET decline in Toronto by midsession followed an early drop. The composite index slipped 16.7 to 3,719.1 on volume of 14m shares. Declines outpaced advances 259 to 163.

Cominco dropped C$⅝ to C$26¼. The company said on Wednesday it would close its new lead smelter plant in Trail, British Columbia, to correct production problems. Operations will be switched to Cominco's old smelter in Trail.

Oshawa Group class A shares rose C$¼ to C$30⅝ after the food and drug store company raised its common and class A dividends 1 cent to 11 cents.

ASIA PACIFIC

# Hong Kong bucks trend after Nikkei slides again

## Tokyo

THE NIKKEI index fell sharply again yesterday as investors returned from a day's holiday to confront further declines in the yen. There was also heavy selling by institutional investors, aiming to cut their losses before they close their books for the year at the end of March, *writes Michiyo Nakamoto in Tokyo*.

The Nikkei average at one stage lost more than 1,900 points in its second largest fall ever in points terms, before finishing 963.85, or 3.1 per cent, down at 29,843.34.

During the day the Nikkei fell from a high of 30,775.86 to a low of 28,830.37, but recovered towards the close on news of official intervention in the equity, bond and currency markets.

Losses overwhelmed gains by 931 to 70 with 44 unchanged. Volume slipped to 609m shares from the 613m on Tuesday. The Topix index of all listed shares dropped 100.01 to 2,173.17; in London, however, the ISE/Nikkei 50 index rose 18.15 to 1,612.91.

Yesterday, the yen dropped to a 38-month low of Y155.45 against the dollar, confirming the market's fears that Tuesday's discount rate rise would not shore up the yen.

Among the stock sellers were tokkin, the specialised investment trust funds for institutional investors, and individuals cutting losses on margin positions. The market staged a partial recovery when the Ministry of Finance stepped in to buy bonds, the Bank of Japan bought yen and non-life insurers and brokers bought equities.

The official intervention pulled the market leaders up from their lows. The top volume issue, Nippon Steel, with 24.4m shares traded, closed Y28 down at Y548, after hitting a low of Y508. NKK followed with 13.1m shares and recovered from Y497 to close Y22 lower at Y528. Hitachi, the electrical company, was third with 11.4m shares and fell Y30 to Y1,390 after losing Y170.

In a succession of cancelled share offerings, Kanebo, the textiles to cosmetics company, said it had called off its planned issue of 30m new shares as the issue price was below Y659.

Electricals bucked the trend, however, with Pioneer Electronic rising Y140 to Y6,340.

Issues that had risen on domestic demand suffered huge losses in Osaka, where the OSE average plunged 1,491.81 to 31,432.92. Turnover rose 369m shares from 248m on Tuesday.

## Roundup

COMPANY RESULTS helped Hong Kong ignore the Japanese decline, but most other regional markets slipped.

HONG KONG was undisturbed by Tokyo's further plunge, and shares continued to advance. Good corporate results and the relative cheapness of Hong Kong stocks helped the the Hang Seng index to rise 21.75 to 2,948.67, after adding 46.89 on Wednesday. Turnover grew to HK$1.47bn from HK$1.29bn the previous day.

Jardine Strategic, the holding company, gained 40 cents to HK$16 after reporting a 46 per cent rise in earnings.

AUSTRALIA was shaken by Tokyo's fall and by an opinion poll published before Saturday's elections which showed the opposition Conservative coalition overtaking the ruling Labour party for the first time since the campaign started. The All Ordinaries index lost 21.1 to 1,566.6 on increased turnover of 92m shares valued at A$206m after Wednesday's 78m shares worth A$148m.

**BOMBAY rallied in a busy session after trading rules were eased yesterday. The limit on the amount that brokers can carry forward in transactions was raised from Rs25m to Rs30m in an attempt to improve liquidity in the market. The index gained 17.53 to 739.22.**

ICI Australia fell 68 cents to A$4.70 on news of a 50 per cent drop in profits in the six-month period to March 31.

NEW ZEALAND fell to its lowest level since February 1988 as nervousness about the Japanese market grew. The Barclays index dropped 20.32 to 1,726.30 in thin volume.

SINGAPORE was worried by Japan's fall, but shares closed above their lows as the Tokyo Nikkei index clawed back some ground. The Straits Times Industrial ended 2.28 down at 1,569.91, after falling 13.45 earlier. Turnover rose to 94.5m shares from 75.5m.

Shangri-La Hotels added 20 cents to S$10.40 after Wednesday's profits announcement.

TAIWAN declined as Tokyo fell, after opening firmer on the news that the student pro-democracy demonstration had ended peacefully. The weighted index ended 279.08 down at 10,978.15 after rising 98 points in the first five minutes.

# W German steelmakers bask in sunshine

### It is not just the lure of East Germany helping their shares, writes Nick Garnett

STEEL might not be a glamour product, but West German steel stocks have had a collective glitter about them, largely unmatched in Europe's heavy manufacturing industries.

In the past three months to the end of last week, Klöckner-Werke's share price jumped 36 per cent and Thyssen rose by 17 per cent. Hoesch has only risen by 10 per cent, but, like the other two companies, its increase this year follows steep gains last year.

The three stocks rose by between 42 and 67 per cent during 1989, according to figures from the German desk of County NatWest.

A lot of this price growth has ridden on the back of the strong performance of the West German stock market last year. But steel stocks were the second best performing group in Germany, after construction companies.

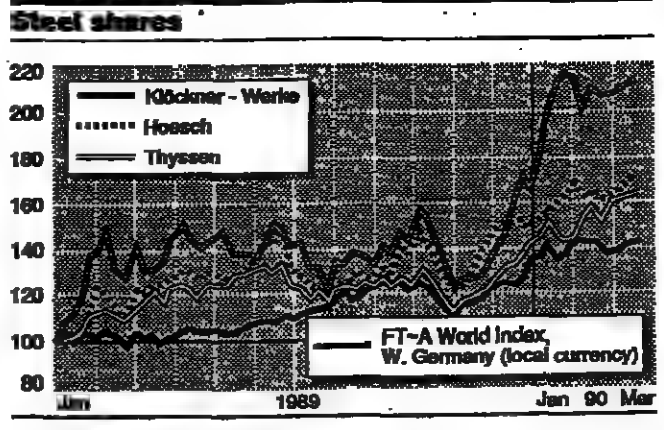
The rise in steel share prices has been fuelled by the strength of the West German domestic market for steel, juicy prospects for rebuilding East Germany's corroded infrastructure, and restructuring within German steel companies themselves. Takeover speculation, often misplaced, has also been affecting stocks, particularly in the case of Klöckner-Werke.

Underpinning all this has been increasing investment in German stocks by other Europeans and now by the Japanese.

The strength of sentiment in Germany about steel has rolled over to Preussag, the metals and energy group which last year purchased the Peine Salzgitter steel company. This was part of a partial ownership restructuring of the German steel industry, in which Saarstahl was acquired by Usinor Sacilor of France and the steel trading interests of Klöckner and Co were bought by Viag, a German energy and chemicals group.

Preussag's strong share price growth has been affected by absorbing Salzgitter, not least because of Salzgitter's property interests, according to Mr Michael Geiger of County NatWest. These interests include 30,000 flats which the company is now selling to its workers.

**Steel shares**




Movements in German steel stock prices make a stark comparison with other steel shares. That of Bethlehem of the US has risen 15 per cent over the past three months, but that follows a slide of 20 per cent in 1989.

The share price of Nippon Steel of Japan dropped 22 per cent over the past three months, with an 8 per cent fall last year. Over the past year or so, the price of some European stocks, such as British Steel and Hoogovens of the Netherlands, have fluctuated but now remain little changed compared with where they were at the beginning of that period.

Demand for general and special steels in West Germany has been strong right across industry, from white goods to car-making and construction. Medium-term prospects for re-equipping East Germany look very good.

"East Germany needs a lot of new environmental plant, like desulphurisation equipment, and so does the food and chemicals industry, household goods manufacturing, the railways, car and truck-building," says Mr Geiger.

This has all been a lure for foreign investment, and the flow of funds has been stimulated by increasing Japanese investor interest in German steel stocks. This is likely to remain firm, perhaps surprisingly, because German companies are continuing to diversify into product areas with different ratings. Hoesch gets just 35 per cent of its turnover direct from steel, Thyssen 39 per cent and Klöckner-Werke 57 per cent. These companies make a lot of machinery and the price/earnings ratio of German machinery stocks are traditionally in the 12 to 16 range, rather than the range of 6 to 10 for steel.

Two substantial negative factors are a fall of between 3 and 5 per cent in German steel prices over the past four months, and the impending wage negotiations, for settlement in October, in what is already a high wage cost industry. These factors on their own, however, may not be sufficient to dim share prospects for this sector.

EUROPE

# Bourses dip on profit-taking after firm start

CONTINENTAL bourses tried to shrug off Tokyo's tumble but later succumbed to investor nervousness, *writes Our Markets Staff*.

FRANKFURT experienced a big swing in sentiment, finishing lower after a firm opening. At first, it seemed that the market would again show its independence from Wall Street and Tokyo, but growing nervousness led to profit-taking by local professionals and UK investors.

The FAZ index, calculated at midsession, ended 1.01 up at 814.82 but the DAX index later closed 19.01 down at 1,918.98. Turnover was similar to Wednesday's active DM14.3bn.

The market's nervousness was highlighted by the volatility of second-line stocks, said one observer. Schering closed at DM860, down DM23, after reaching a high of DM900 and a low of DM850, while Henkel, the applied chemicals concern, eased DM3 to DM627 after rising to DM644.50.

Blue chips weakened, with Siemens, which forecast a healthy increase in orders and sales for the current year, off DM7.20 at DM809 and Deutsche Bank DM8.50 to DM808.50.

Nixdorf, the computer company, gained DM6 to DM306 after the previous day's prediction by the chief executive of a smaller loss in 1990. Allianz, the insurer, rose DM50 to DM2,735 after Wednesday's news that it was taking a 49 per cent stake in a joint venture with Staatliche Versicherung of East Germany.

The steel sector edged higher on improved earnings expectations, with Klöckner-Werke up DM1 at DM270.

News that Metallgesellschaft had lifted its 1988/89 profits and proposed a rise in the dividend to DM10 from DM8 was in line with expectations. The stock slipped DM3 to DM697.

MILAN initially ignored Tokyo's fall and opened strongly but was later dragged down by profit-taking. The market was also unsettled by speculation that Socialist leader Mr Bettino Craxi would threaten to withdraw his party's support from the coalition Government. The Comit index fell 3.07 to 679.88.

**TEL AVIV rebounded 1.8 per cent in thin trading after tumbling 7.2 per cent on Wednesday, the first day of trading after a two-week strike by stock exchange staff, in reaction to the collapse of the coalition Government.**

Insurance stocks succumbed to profit-taking after their recent gains, with Generali losing L190 to L39,520. Sip, which said net profit in 1989 fell to L471bn from L496bn, lost L29 to L1,571. Montedison and Enimont bucked the trend, however, on buying said to come from the Ferruzzi camp. Montedison rose L52 to L1,880 and Enimont gained L39 to L1,440.

PARIS ended the monthly account with a gradual decline in slow trading. The CAC 40 index lost 23.07 to 1,914.11 after a day's high of 1,930.86. Turnover was about FFr2bn.

A block of 1.22m shares in Paribas, or 1.82 per cent of its equity, was traded at FFr675, pushing volume in the stock to 1.69m shares. The share price rose FFr7 to FFr661. Navigation Mixte, the diversified holding company that has been in a takeover tussle with Paribas, lost FFr25 to FFr2,185. CCF was also active, gaining FFr1.50 to FFr218.50 with 533,810 shares traded, including one block of 479,000 shares.

LVMH, the luxury goods group, lost FFr130 to FFr4,560 after publishing an expected 46 per cent profits rise on the day that the latest court hearing on the controversial issue of bonds with attached warrants began. Esso France, which announced improved earnings, gained FFr6 to FFr672. Also in the oil sector, Total certificates gained FFr4.30, or 3.7 per cent, to a year's high of FFr119.60 after a buy recommendation by a leading London broker.

ZURICH was disheartened by Frankfurt's drop and recovered only slightly on news that BBC Brown Boveri, the engineering group, would allow foreigners to buy its registered shares. The Crédit Suisse index fell 7.4 to 594.6. BBC, which also announced a rights issue and a convertible bond, saw its bearer shares close SFr200 lower at SFr5,300 after going as low as SFr5,275.

AMSTERDAM partially recovered early losses on the back of a firmer domestic bond market. The CBS tendency index fell 0.7 to 114. Hoogovens closed 80 cents lower at Fl 76.60 before releasing its 1989 figures. After the market closed, Hoogovens said that net profit more than doubled to Fl 751m in 1989 from Fl 301m but warned that this result would not be matched in 1990. Dealers said the company's rise in dividend to Fl 5.75 from Fl 4 was likely to support the share price.

Daf, the Anglo-Dutch truck producer, shed Fl 2.90 to Fl 33.80 after issuing a gloomy forecast for 1990. Construction group HBG, which pleased the market with better than expected 1989 results, rose Fl 1 to Fl 196 before being suspended. HBG also said it was offering a one-for-40 stock plus dividend cash dividend option.

STOCKHOLM was led higher by gains in Nobel, the armaments manufaturer, and forestry stocks. Dealers also reported bargain-hunting in Ericsson, Electrolux and Asea shares.

## SOUTH AFRICA

JOHANNESBURG remained under pressure from a much stronger financial rand and lower gold prices but prices ended off their lows on scattered bargain-hunting. The overall share index fell 24 to 3,280. Freegold eased 50 cents to R50.50, off lows of R49.50, while Vaal Reefs fell 7 cents to R402. De Beers fell 50 cents to R86.50.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | WEDNESDAY MARCH 21 1990 | | | | | | TUESDAY MARCH 20 1990 | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of stocks per grouping | US Dollar Index | Day's Change % | Pound Sterling Index | Local Currency Index | Day's change % local currency | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Local Currency Index | 1989/90 High | 1989/90 Low | Year ago (approx) |
| Australia (83) | 139.69 | −1.0 | 129.89 | 123.57 | −0.3 | 5.61 | 141.06 | 129.83 | 123.95 | 160.41 | 128.28 | 137.51 |
| Austria (19) | 283.63 | +0.8 | 263.73 | 251.33 | +1.5 | 1.06 | 281.25 | 258.85 | 247.56 | 285.63 | 92.84 | 107.16 |
| Belgium (61) | 145.05 | +0.5 | 134.87 | 126.62 | +1.0 | 4.42 | 144.26 | 132.76 | 125.40 | 160.02 | 125.56 | 129.94 |
| Canada (120) | 142.98 | −0.1 | 132.95 | 121.86 | −0.3 | 3.31 | 143.11 | 131.71 | 122.18 | 154.17 | 124.67 | 133.87 |
| Denmark (36) | 254.80 | −0.9 | 236.92 | 226.21 | −0.5 | 1.42 | 257.06 | 236.57 | 227.34 | 260.82 | 165.35 | 168.25 |
| Finland (26) | 141.11 | −0.2 | 131.21 | 119.53 | +0.5 | 2.50 | 141.33 | 130.07 | 118.90 | 153.16 | 118.63 | 145.77 |
| France (125) | 150.13 | +0.0 | 139.60 | 135.65 | +0.6 | 2.79 | 150.14 | 138.17 | 134.88 | 157.97 | 112.57 | 114.91 |
| West Germany (96) | 133.60 | +0.6 | 124.23 | 118.60 | +1.3 | 1.79 | 132.80 | 122.21 | 117.09 | 137.01 | 79.56 | 83.24 |
| Hong Kong (48) | 120.77 | +1.9 | 112.29 | 121.14 | +1.9 | 4.92 | 118.50 | 109.06 | 118.88 | 140.33 | 86.41 | 120.61 |
| Ireland (17) | 185.38 | −1.2 | 172.37 | 167.49 | −0.6 | 2.61 | 187.56 | 172.61 | 168.55 | 198.57 | 125.00 | 142.66 |
| Italy (96) | 96.55 | −0.5 | 89.78 | 90.73 | +0.0 | 2.53 | 97.03 | 89.29 | 90.76 | 102.11 | 74.97 | 80.75 |
| Japan (455) | 140.41 | −0.2 | 130.56 | 130.81 | +0.0 | 0.59 | 140.68 | 129.47 | 130.61 | 200.11 | 140.41 | 182.39 |
| Malaysia (36) | 234.56 | +0.3 | 218.10 | 246.21 | +0.5 | 2.16 | 233.81 | 215.18 | 245.03 | 245.32 | 143.36 | 161.37 |
| Mexico (13) | 390.10 | −0.1 | 362.73 | 1180.39 | −0.1 | 0.44 | 390.49 | 359.36 | 1181.55 | 409.41 | 153.32 | 168.54 |
| Netherland (43) | 137.42 | −0.4 | 127.78 | 120.58 | +0.3 | 4.62 | 138.01 | 127.01 | 120.28 | 145.66 | 110.63 | 116.16 |
| New Zealand (17) | 61.53 | −2.9 | 57.21 | 56.45 | −2.1 | 6.32 | 63.34 | 58.29 | 57.63 | 88.18 | 61.53 | 70.39 |
| Norway (24) | 238.92 | −1.2 | 222.15 | 214.52 | −0.8 | 1.58 | 241.77 | 222.50 | 216.17 | 245.90 | 139.92 | 171.16 |
| Singapore (26) | 191.02 | −0.3 | 177.61 | 165.36 | −0.1 | 1.76 | 191.63 | 176.36 | 165.45 | 199.38 | 124.57 | 146.64 |
| South Africa (60) | 201.94 | −1.4 | 187.77 | 171.42 | −3.1 | 3.44 | 204.79 | 188.47 | 176.93 | 251.39 | 115.35 | 141.75 |
| Spain (43) | 143.96 | −0.7 | 133.86 | 119.04 | −0.4 | 4.49 | 144.95 | 133.39 | 119.47 | 169.75 | 143.14 | 146.17 |
| Sweden (35) | 177.07 | +0.8 | 164.64 | 161.73 | +1.1 | 2.42 | 175.73 | 161.72 | 159.99 | 206.95 | 138.45 | 156.82 |
| Switzerland (62) | 91.16 | −0.2 | 84.76 | 85.96 | +0.2 | 2.20 | 91.34 | 84.06 | 85.82 | 99.12 | 67.81 | 75.18 |
| United Kingdom (307) | 145.52 | −1.4 | 135.31 | 135.30 | −0.4 | 4.63 | 147.64 | 135.87 | 135.87 | 164.31 | 133.36 | 147.42 |
| USA (540) | 137.37 | −0.5 | 127.73 | 137.37 | −0.5 | 3.46 | 138.02 | 127.02 | 138.02 | 146.29 | 112.13 | 118.27 |
| Europe (990) | 137.62 | −0.5 | 127.96 | 124.91 | +0.2 | 3.50 | 138.34 | 127.32 | 124.25 | 146.66 | 112.63 | 117.90 |
| Nordic (121) | 188.79 | −0.2 | 175.54 | 163.40 | +0.2 | 1.91 | 189.17 | 174.09 | 163.12 | 201.89 | 137.95 | 148.67 |
| Pacific Basin (665) | 139.68 | −0.2 | 129.88 | 135.67 | +0.0 | 0.91 | 139.94 | 128.79 | 135.64 | 194.72 | 139.68 | 176.25 |
| Euro−Pacific (1655) | 139.19 | −0.3 | 129.43 | 131.77 | +0.1 | 1.95 | 139.65 | 128.52 | 131.64 | 174.18 | 139.19 | 154.14 |
| North America (660) | 137.61 | −0.4 | 127.96 | 136.39 | −0.5 | 3.47 | 138.23 | 127.21 | 137.02 | 146.66 | 112.79 | 119.10 |
| Europe Ex. UK (683) | 131.02 | +0.0 | 121.83 | 117.53 | +0.6 | 2.70 | 130.97 | 120.53 | 116.84 | 135.73 | 96.30 | 98.65 |
| Pacific Ex. Japan (210) | 130.31 | −0.1 | 121.16 | 119.07 | +0.3 | 4.94 | 130.43 | 120.04 | 118.69 | 140.05 | 111.83 | 128.64 |
| World Ex. US (1848) | 140.07 | −0.3 | 130.24 | 132.18 | +0.0 | 2.02 | 140.53 | 129.33 | 132.12 | 173.77 | 140.07 | 163.31 |
| World Ex. UK (2081) | 137.32 | −0.3 | 127.68 | 133.64 | −0.1 | 2.28 | 137.69 | 126.71 | 133.76 | 162.00 | 136.98 | 138.96 |
| World Ex. So. Af. (2328) | 137.64 | −0.4 | 127.98 | 133.50 | −0.1 | 2.52 | 138.15 | 127.14 | 133.65 | 161.84 | 136.67 | 139.70 |
| World Ex. Japan (1933) | 138.20 | −0.5 | 128.50 | 132.32 | −0.2 | 3.54 | 138.85 | 127.79 | 132.80 | 145.52 | 114.51 | 119.31 |
| The World Index (2388) | 138.03 | −0.4 | 128.35 | 133.76 | −0.1 | 2.52 | 138.56 | 127.51 | 133.85 | 162.05 | 136.86 | 139.72 |



Japanese market closed on March 21.

Constituent change 22/3/90 Name change: United Brands to Chiquita Brands International Inc. (USA).

Latest prices were unavailable for this edition.

JOBS

# The specific test of candidates' confidence

By Michael Dixon

"OF COURSE it is," honked the big-company personnel chief the other day. "That goes without saying."

His tone, and the lip he curled at the Jobs column, showed impatience with folk who question the obvious. The rest of the audience seemed to feel the same way.

He had just been listing the qualities needed to win and keep high position. They included pretty well all those found in books on leadership: "intelligence, initiative, integrity" and such. But as one of the usual litany was missing, I asked whether he thought "confidence" was important too – with the reaction reported above.

To which my own reaction was to think that, if the importance of confidence is considered unquestionable, it must be high time somebody questioned it. So over the past few days I have quizzed half a dozen professional recruiters about the topic.

Their explanations show confidence in a somewhat peculiar light. It is evidently not just important, but so much so as to be a routine requirement. And as such, it is covered by the Law of Organisational Stupidity known as Winkler's Twist, which states: *Routine events stimulate only when they fail to occur.*

Like the mechanical alarm clock whose ticking never disturbs sleep unless it stops, confidence has most force when not there. "Lack of it has a pervasive effect on selection," I was told.

"When candidates are diffident, you may have good reason to believe it's just circumstantial and short-term. An example is when they are out of work through no fault of their own after otherwise successful careers. But try as you might, you're hard-pressed to stop it from influencing you against."

Alas, although confidence is most noticeable in its absence, in Britain at least it can also be damning if too obviously present. "While positive expressions of it may be liked in the US," said a second of the half-dozen, "it's dangerous to overdo them here. Unless they're clearly justified by something in the candidate's background – like being the company chairman's son – they can be interpreted as overweening arrogance or, worse still, cockiness."

A third believes that experienced recruiters tend to be wary of conspicuous confidence as one of the human attributes (charm is another) that are apt to lead them astray. "I doubt that there can be one of us who hasn't slipped up at some time through overvaluing it. If you're a professional, once bitten must be twice shy."

Something none of the six was confident about is quite what confidence might be. "I'd say it was a general attitude to life's challenges," came a typical reply, "but it can hardly arrive ready-made. It probably grows out of family circumstances, education and so on."

On the other hand, it was uniformly agreed that for everybody from a particular background who possesses confidence, there seems to be another much the same who lacks it.

"The most obvious thing for it to be based on is competence," the twice-shy recruiter added. "But that's definitely not always so. Where it comes from is a mystery to me."

## Torments

A clue to the answer has been provided by the United States psychologist Martin Seligman. In some studies he subjected people as well as animals to nasty experiences, such as an excruciating noise, which they were powerless to stop.

After a while, about two thirds of them became so depressed and apathetic that even when they were shown how to turn off the noise or whatever, they could not learn to do it. But the other third simply refused to give up striving to relieve their torment no matter how impossible it seemed.

Professor Seligman thinks that the difference is made by the way the victims explain their plight to themselves. For, in his view, there are three sets of alternative explanations for failure.

First, we can either blame it on ourselves and so believe the cause to be *internal*, or we might lay the blame on some *external* force. Second, we can either accept that we lack the basic ability to succeed and so regard the failure as *stable*, or attribute it to our being temporarily off-form or to some other *unstable* casue. Third, we can decide either that the trouble is *specific* in the sense that we cannot avoid being bad at some tasks and this happens to be one of them, or that it is *global* in the sense that there is nothing we are good at whatsoever.

The professor believes there are some people who, faced with a problem, explain it to themselves in the worst possible light as at the same time *internal, stable and global.* In his terms, they are pessimists. They, together with a second group who adopt a mix of the gloomy and cheery alternatives, make up the two thirds prone to give up when life becomes hard.

The other third typically see any reverse as *external, unstable and specific.* Those are the complete optimists, and perhaps the exemplary possessors of "confidence" in the general sense meant by the half-dozen recruiters.

## Comfort

But there is another use of the word, that offers comfort to the other 66⅔ per cent of us who take a more realistic view of our limitations. It is "confidence" in the highly specific sense tested by showing people how something is done, then – with their minds concentrated by the prospect of being invited to try – ask if they can do it. The jargon for that kind of confidence is "self-efficacy."

Several studies have been made of it in recent years, the leading researcher being Albert Bandura, Professor of Psychology at Stanford University in California*. Instead of taking the view that confidence must grow out of existing competence, he claims that where the specific sort is concerned the process is to an important extent the other way round.

Hence, if people can first be brought to believe they are capable of a particular task, they have an increased chance of succeeding at it. And although the theory is far from universally proven, it has been shown to work in a goodly number of cases.

The early successes were in enabling people to overcome phobias and addictions, such as an abject terror of snakes as distinct from a social distaste for them, and smoking. But more recently the trials have been extended to normal work activities, both in laboratory settings and for real.

All the studies have been analysed by Ivan Robertson and fellow psychologists at the University of Manchester Institute for Science and Technology. One finding, he says, is that people tend to be pretty accurate at estimating their ability to do something ahead of doing it.

"And while the success-rate is higher in laboratory trials," Dr Robertson adds, "the real-life link with competence is strong enough for tests of self-efficacy to offer an improved chance of picking the right candidate."

**Social foundations of thought and action. Prentice-Hall, 1986. £52.55.*

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We continue to receive instructions from a variety of our clients for young, bright credit analysts. For example, a US investment bank is looking for an individual to join their European credit team. A graduate, aged in their mid 20's with a recognised credit training and 2 years' experience is seen as ideal. For the successful candidate prospects are, quite simply, excellent.

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# CHIEF EXECUTIVE

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The Development Board for Rural Wales is seeking a new Chief Executive to succeed Dr. Iain Skewis, who is retiring.

The Development Board is located in Newtown, Mid Wales, and is responsible for the economic and social regeneration of an area comprising 40 per cent of Wales. The area has long suffered from the effects of depopulation but, in its first thirteen years, The Development Board has made a significant impact on the area's problems and is now acknowledged to be at the forefront of the introduction of rural initiatives within the European Community.

The Development Board's aim is to create a self-sustaining economy within its area through the provision of employment in a wide range of sectors and by stimulating private enterprise through an integrated programme of industrial development, service provision and grant assistance to the private sector. Of equal significance is the need to improve the quality of life of the residents of rural Wales through the Board's social development activities.

The new Chief Executive will need to be sympathetic to the problems facing rural areas. No specific professional qualifications are required but it is anticipated that the successful candidate will have relevant background and experience, together with executive and management skills of the highest order.

The appointment will be for an initial term of 5 years, with the possibility of subsequent renewal on an annual basis.

Application forms and an Information Pack are available from the Personnel Officer, The Development Board for Rural Wales, Ladywell House, Newtown, Powys, SY16 1JB (Tel. No. (0686) 626965). Prospective candidates who would welcome an informal discussion about the Post should contact the Chairman, Mr. E. Glyn Davies, on the above number. Completed application forms should be returned to the Chairman by Friday, 20 April 1990.

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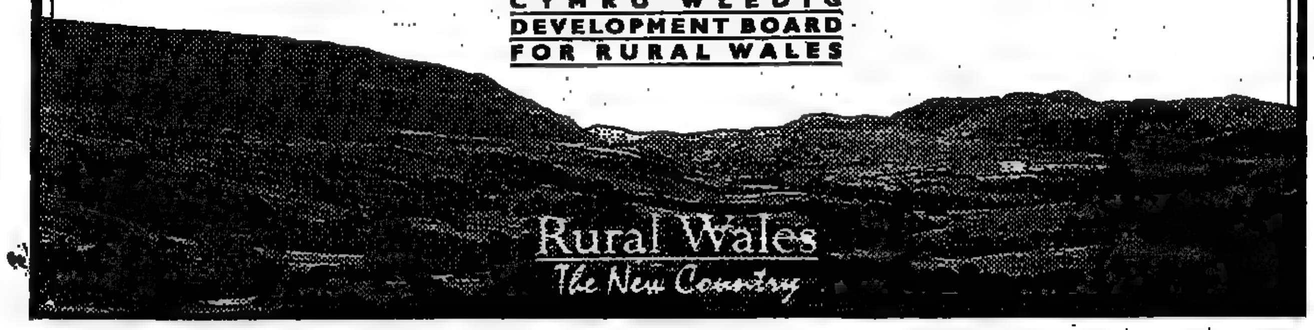


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## Economist — c£50,000

International Bank with a high profile in Corporate/Project Financing seeks to appoint an Economist to manage a small team in support of these activities. The Research Division provides industry sector, country and economic research material for both its own branches and for major institutions worldwide. The position requires an entrepreneurial individual, with a flair for marketing, capable of consolidating the Bank's position as a world-leader in this field. The successful incumbent will have a minimum of five years' relevant experience at senior level.

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An outstanding opportunity has been created within the expanding Corporate Credit Division of this International Bank for a degree educated Marketing Officer. One year's European marketing experience is essential as responsibilities will be to promote the extensive range of lending and treasury services offered by the Bank to the Top 200 European Corporates. The ability to prepare and draft loan agreements, to produce in-depth credit analysis and to develop an acute awareness of market, financial and political developments and new products/instruments is essential to ensure continued new business development.

*For further information please telephone or send your C.V. to Joslin Rowe Associates (Financial Recruitment Consultants), Bell Court House, 11 Blomfield Street, London EC2M 7AY. Tel: 01-638 5286 Fax 01-382 9417.*

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## Property Finance — £30,000

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## Credit Analyst — £22,000

Top International Bank seeks to recruit a graduate Credit Analyst with marketing potential to work in Corporate Finance. The successful applicant will have a general banking background, possibly from a Management Trainee scheme, followed by a minimum of one year's Credit Analysis experience. Duties will include balance sheet analysis, drafting of facility letters, the reviewing and monitoring of existing facilities for both UK and International Corporates and the submission of proposals to credit committee. Realistic prospects exist for a move to a marketing role within two years.

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# Global Swaps Trader

Due to the steady expansion of this highly rated swaps and derivatives group, our client now has an opening for up to three traders to join their team.

Successful candidates will be responsible for originating, marketing and executing swap business in the European, Scandinavian and Southern European markets. This business will include all forms of swaps and other interest rate risk products including FRAs, caps, collars and options. Working closely within a growing team, candidates will be expected to have a strong working knowledge of swaps trading in US dollars and a good understanding of Deutschemarks, ECU and Yen.

Candidates, probably in their late 20s/early 30s, will be graduates and have at least 3 years' experience in swaps and related products with a major name. Remuneration will be competitive and include a large profit-related percentage.

Those interested should contact Arabella Goodford or Kate Griffiths on 01-831 2000 or write to them at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

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(Hamlet)

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In every project you undertake though, Quality and Exclusivity will be vital. At the same time, projects must be commercially viable, work to enhance our client's name, and help to develop customer loyalty.

Already familiar with the minutiae of print, product and services merchandising, you will possess considerable personal authority and professional flair. It is also essential that you personally share the interests and enthusiasms of your target audience.

An excellent salary and benefits package will be negotiable.

For further information, please phone Bob Gunning at Austin Knight Selection on 01-439 5745 or send your C.V. to him at Knightway House, 20 Soho Square, London W1A 1DS. Please quote reference number 165/JRG/90.

Austin Knight

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# HEAD OF CREDIT

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The main responsibilities of this new position are to review and structure credit policy relating to all types of lending carried out by the bank. With approval to authorise credit up to a substantial pre-set limit, your success will be monitored by your ability to ensure the smooth-running of the credit system and to use your experience and skills to enhance its operation.

You are likely to be aged between 35 and 55 and have a first class command of credit analysis gained in a practical lending environment. You should be a graduate or be ACIB qualified and have an excellent knowledge of the UK banking market. A full understanding of the credit issues relating to derivative products, treasury products, trade finance and medium term lending is essential. An above average knowledge of lending to financial institutions would be an advantage. Strong inter-personal skills are necessary since you will be liaising at very senior levels within the bank.

A highly competitive remuneration package will be offered to the successful candidate. This includes an attractive performance-related bonus, company car and excellent banking benefits. If you would like to be considered, please telephone Susan Muncey in complete confidence on 01-222 7733 or write to her at John Sears and Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP.

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# Development Manager

## AIB Custodial Services Ltd.

AIB Custodial Services Limited, a wholly owned subsidiary of AIB Capital Markets plc., part of Ireland's largest Banking Group, will be located at the International Financial Services Centre in Dublin where its prime objective will be to provide top class custodial and trustee services to fund managers and financial institutions. Reporting to the Managing Director, the Development Manager will be involved in identifying and evaluating strategic technological developments to meet customer needs as well as playing a key role in growing the business in a creative and professional way.

Candidates, probably aged 28/35, must be thoroughly experienced in custodial and trustee work and possess proven managerial and technical skills plus the ability to blend into a highly motivated specialist team; a third level qualification would be an advantage.

An attractive remuneration package will be offered to the successful candidate.

**Please write, in confidence, to Mr D. M. Hand, MSL International, 49 Upper Mount Street, Dublin 2, quoting reference 82953**

MSL International

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# State Bank Victoria

State Bank of Victoria (SBV) Australia's fifth largest commercial bank wishes to recruit a LENDING OFFICER to join its Lending Department in London.

The successful applicant should be a seasoned corporate lending specialist probably in the age range of 26 - 34. The successful applicant is likely to have the following attributes:

- Advanced credit skills that demonstrate an understanding of risk evaluation;
- Familiarity with cashflow related transactions and PC based modelling
- The ability to assume primary responsibility for a portfolio of existing accounts with an interest in developing new business.

This position will offer a competitive salary and full banking benefits and also offer the right candidate good promotional opportunities within the Department.

Please apply in writing enclosing a detailed C.V. to:

Personnel Officer,
State Bank of Victoria,
30 Old Jewry,
London, EC2R 8EY.

State Bank Victoria

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# Jonathan Wren Executive

## SENIOR CORPORATE DEALER

### £50 - 75,000

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Several leading international banks are expanding their London treasury operations and seeking to recruit senior spot dealers with a proven track record at a major City bank. Candidates should have a minimum of three years experience trading spot major currencies or crosses. Graduates aged 25 to 32 preferred.

*Please contact Jan Perrin on 01-623 1266.*

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## ADMINISTRATION MANAGER

International Bank

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Triple a rated International bank seeks a highly professional facilities manager.

Responsibilities will encompass all aspects of premises maintenance, contract management, capital equipment etc. Communications, stationery and expenses control. Applicants should currently be in a similar role within a bank, and experience of re-locating offices is highly desirable.

The successful recruit will be an excellent man-manager, with good communication skills, able to motivate a team and demonstrate proven ability in this administrative sphere.

The package offered is commensurate with the importance of this position and will include bonus and mortgage subsidy.

For further information please telephone Sandra Clark on 377-5040.

LJC BANKING APPOINTMENTS
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### London Based

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Candidates should have proven lecturing ability and a thorough knowledge, both practical and theoretical, of capital market and treasury products. Computer literacy and a confident outgoing personality, combining initiative and creativity, are essential qualities within this demanding role. Excellent presentation skills are a necessity.

The ability to travel frequently is vital and knowledge of another language would be an advantage.

An attractive salary will be negotiated according to ability and experience.

Write, in strictest confidence, with full personal, career and salary details to:

Deborah A Holland, ACF Consultants Ltd
10 Charles II Street, London SW1Y 4AA.
Tel: 01-925 0705

## SCOTTISH INVESTMENT TRUST PLC

### PORTFOLIO MANAGER, EDINBURGH

Scottish Investment Trust is one of the largest investment trusts in the UK with assets under management of £550 million invested worldwide, mainly in equities.

We wish to recruit an additional portfolio manager to join the management team and take responsibility for one of the trust's geographical portfolios. Applicants should ideally be university graduates between 27 and 35 years of age with a relevant background in fund management or stockbroking. Experience in overseas stockmarkets would be an advantage.

A competitive salary and benefits will be offered to the successful applicant.

To apply, please write in confidence with your CV and an indication of present salary to Mr I M Harding, Company Secretary, Scottish Investment Trust PLC, 6 Albyn Place, Edinburgh, EH2 4NL.

Guardian Royal Exchange

## Senior Compliance Officer

**c.£22 – £25K + benefits**

Guardian Royal Exchange is one of the leading companies in the financial sector with offices throughout the UK and substantial interests worldwide.

We wish to appoint a Senior Compliance Officer who will be mainly responsible for LAUTRO procedural regulatory matters with involvement in IMRO duties. These duties will cover compliance audit reviews, the interpretation of rules and providing an advisory service to user areas as and when necessary. These tasks, of necessity, will involve a certain amount of travel within the UK.

To be considered for this position a professional qualification is essential and at least 3 year's experience in the Life, Pensions or the Unit Trust Industry would be desirable. A high degree of responsibility is involved requiring initiative, self-motivation, tact and communication skills.

The position offers excellent prospects for future progression within the Group together with a competitive remuneration package including the benefits expected of a major financial services group.

Please apply in writing with full curriculum vitae to:
The Personnel Officer, Guardian Royal Exchange Assurance plc,
68 King William Street, London EC4N 7BU.

Guardian Royal Exchange is an equal opportunities employer.

## ·DEALING MANAGER·
### AUSTRALIAN DOLLAR SECURITIES

Our client is the London branch of a major Australian Bank and is a reporting dealer to the AIBD.

Due to an internal promotion, they require a Manager to take charge of the existing team of 6 (2 traders and 4 sales) which provides a service in a full range of Australian Dollar Securities to retail and professional clients in Europe and the UK.

Ideally, candidates will have had experience of trading and managing an Australian Dollar portfolio comprising Domestic Government and Semi-Government Securities and Eurobonds, although good experience in other fixed interest markets would also be considered acceptable. The discipline of managing a trading book and the maturity and experience to lead an aggressive and rapidly expanding unit are considered essential. A good academic background would be considered an advantage and it is not likely that the preferred candidate would have less than 5 years dealing experience.

The Remuneration package will be both negotiable and competitive.

Interested applicants should write, enclosing a C.V., to Associates in Advertising, 5 St. John's Lane, London EC1M 4BH. Alternatively, please phone Annabel Elsdon on 01 636 9575 during office hours.

## MANAGING DIRECTOR & FINANCE DIRECTOR

Required for Leisure Company about to be floated on the U.S.M. Acquisition experience and strong city contacts essential. Salary and benefits package negotiable.
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Investment partnerships will focus on U.S. special situations markets, i.e., bankruptcies, reorganizations, arbitrage opportunities and dislocations in the high yield market. A working knowledge of these types of investments is helpful but not required. Competitive compensation package.

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36 yrs old, German, single, experience in international companies: Management-Consulting (Orga./EDP), Materials Handling Systems (Overseas-Controlling), Trading (Marketing): several years in Asia/Australia. Looking for a challenging position, especially with European company, preferably in ASEAN-countries.

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### INTERNATIONAL OPERATIONS

Operations Manager, 30 years International Banking experience with a number of Foreign Banks, available for Consultancy Assignments. Extensive experience in all International Banking Operations, including Opening Banks, Systems evaluation and implementation, procedures, Compliance, Accounting Budgets and Treasury Operations.

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36 years, German National, broad experience in managing international operations, sales, marketing and logistics of national and international brands. MBA (Wharton), PMD (Harvard), French and Spanish.

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### Argentinian Law Graduate

27 Y., German Citizen, Fluent Spanish and German, good Portug. 3 Years Prof. experience in Argentina wide Latinamerica knowledge seeks position in International firm Law, office.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

## Nomura Capital Management (UK) Ltd
# Quantitative Analyst/ Fund Manager

Nomura Capital Management UK, a wholly owned subsidiary of Nomura Investment Management Co., one of the largest investment managers in Japan, wishes to recruit a Quantitative Analyst/Fund Manager to join its expanding London operation.

This position requires familiarity with modern portfolio theory, and the ability to develop quantitative techniques to assist in the active management of UK/European Equity portfolios, as well as the development of active quantitative products. Candidates for this position are likely to have a numerate degree or relevant professional qualification as well as at least two years' experience in quantitative analysis.

The position, located in the City of London, will offer a fully competitive salary together with an attractive range of benefits, including mortgage subsidy and non-contributory pension scheme.

NOMURA

If you would like to apply, please write with a curriculum vitae to the Managing Director, Nomura Capital Management (UK) Ltd, Peninsular House, 36 Monument Street, London EC3R 8LJ.

## UK TRADE FINANCE
**to £30,000 + Benefits**

Due to expansion this European bank seek a lending banker with strong marketing skills covering letters of credit and trade finance. Essential is a background in credit covering appraisals to proposition summaries. Ideal age range 28-35 years. Contact: ANNETTE TASSI.

## CORPORATE DEALER (French)
**neg. £28-£30,000**

A major international bank seek to expand their activities in this area, hence seek a FRENCH speaking bank dealer with at least 2-3 years relevant experience of corporate dealing, age range 25-30 years. Contact: SHEILA JONES.

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Several banks seek senior finance represen-tatives, aged 24-30 years. Candidates must have experience of marketing and negotiating UK medium ticket deals in the £0.25m-£5 million plus range, be able to appraise balance sheets and price and structure non standard deals. In return these positions offer career progression, full bank benefits including strong reward orientated bonus/profit share. Contact: MARTIN MOLL.

Please send detailed CV or telephone the above names, all enquiries treated in strict confidence.

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## INTERNATIONAL APPOINTMENTS

LESOTHO

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Your role will be to identify the training requirements of all staff working in a busy Income Tax department. You will review current training systems and devise a comprehensive training plan including both in-house and external courses.

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**TERMS OF APPOINTMENT**

You will be on contract to the British Government for 3 years, on loan to the Government of Lesotho. **Salary is in the range £29,857 p.a. to £32,444 p.a. (UK taxable).** Benefits will normally include variable tax-free overseas allowances, children's education allowances, free accommodation and passages and annual fare-paid leave.

Closing date for return of completed application forms is 11 April, 1990.

For further details and application form, please write to Appointments Officer, Ref No AH364/SAI/FT, Abercrombie House, Eaglesham Road, East Kilbride, Glasgow G75 8EA, or telephone 03552 41199 ext 3534.

ODA OVERSEAS DEVELOPMENT
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United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) an organisation providing education, health and relief services to a large refugee community in the Middle East, requires an

## Auditor (Electronic Data Processing)

at its Headquarters in Vienna. Main tasks will be to conduct financial and operational audits of activities throughout the Agency's administration, specifically of the computerized information and data processing system. Post involves frequent travel in Middle East. Successful candidate requires University Degree in Accountancy, advanced training or coursework in Electronic Data Processing and at least five years of related experience in large governmental, international, or commercial organisation.

Annual net tax free salary starting from US$ 48.000,— (single) and US$ 52.000,— (with dependants) plus fringe benefits.

Detailed application before 20 April 1990 to:

Chief, Personnel Services Division (VN/7/90) (A)
UNRWA, Vienna International Centre
P.O. Box 700, A-1400 Vienna/Austria

World leader in the "International Trade of Commodities" located in the French-speaking part of Switzerland is looking for a

## DEPUTY TO THE CHIEF FINANCIAL OFFICER

You have a finance-management background and several years of experience at senior level in the commodities department of a bank or in a trading company.

You are looking to join a fast-moving team with high personal growth potential.

Please submit your offers to ANDRE & Cie S.A., Personnel Manager, Ch. Messidor 7, P.O. Box, CH - 1002 Lausanne

## ACCOUNTANCY COLUMN

# Return to auditing puts pressure on the profession

By David Waller

MERGERS and acquisitions activity is dwindling; the economy is faltering; the stock market is in the doldrums; inflation is rising; Mrs Thatcher's government is riding desperately low in the opinion polls, and high interest rates are discouraging management buy-outs and dampening the entrepreneurial spirit.

The only accountants who are pleased about all that are the corporate recovery specialists, who have been working flat out for the last few months in a vain attempt to deal with a vast increase in the number of companies going belly-up. Everyone else has good reason to feel disconsolate.

So much of the profession's staggering growth over the latter half of the 1980s – for the Big Six and medium-sized firms alike – has come from business areas such as corporate finance, investigation work and management consultancy. Although firms reported big increases in fees from their audit divisions, those increases came from high-margin specialist work rather than from auditing.

Growth in specialist and consultancy work is linked to the vibrancy of the economy as a whole. Only now are firms waking up to the fact that the prognosis for such high-margin business is not good. Over time, they are going to find themselves increasingly dependent on the unfashionable business of auditing.

What that means for the firms in the very long term is a matter of speculation. In the short term, the emphasis is going to be on paring down costs, increasing efficiency and being profitable. Those pressures are likely to be felt first and most fiercely by the so-called medium-sized firms, for reasons explained below.

In the boom years of the late 1980s, auditing was often seen as an attractive business only

**In the boom years, the attraction of auditing was as a base from which to sell**

insofar as it gave the firms a platform from which to sell clients other, more exciting services. Also it provided the firms with a steady stream of income that could nourish ventures into riskier, project-based consultancy markets.

Only in exceptional circumstances would an audit change hands: for example, when a company was taken over or when a fraud was discovered. Even then, competition between the firms would ensure that margins on new audit work were pared to the bone. Client by client, growth in fees for conducting the statutory audit tended to be flat or altogether non-existent.

The trend is well illustrated in an audit remuneration survey produced by Hemmington Scott, a publishing company, which looks at fees earned from firms' quoted clients. The data show how sluggish the growth in fees has been over the past three years.

Take Coopers & Lybrand. Before its merger with Deloitte Haskins & Sells, the firm's three biggest audit clients were Unilever, Pilkington and British Telecom, accounting for 11.6 per cent, 7.83 per cent and 5.87 per cent respectively of total turnover from the statutory auditing of listed clients.

Fees from Unilever fell from £6m three years ago to £5m in 1988 and £4m last year. Pilkington's fees crept up from £2.4m to £2.7m over the three-year period, while BT's fees went up from £1.7m to £2.02m over the same period, a healthier 19 per cent overall.

Looking at other big clients, Glaxo's fees climbed from £1m to £1.2m, BOC's from £1.5m to £1.7m and fees from Sedgwick, which accounted for more than 4 per cent of total fees, fell from £1.5m to £1.45m. By contrast, those from Maxwell Communication Corporation went up from £600,000 to £1.7m over the same period.

In aggregate, Hemmington Scott calculates that Coopers' total fee income from statutory audits of quoted companies went up from £30.1m three years ago to £32m in the following year to £34.5m last year.

Such growth rates are way below those experienced by the firm as a whole over the same period. Moreover, inflation in the cost base – that is, in the cost of recruiting, training and paying audit staff – must have galloped ahead at a vastly higher rate over the period.

Lest Coopers should be aggrieved at thus being singled out, it should be said that the picture is the same at the other firms. Fees grow when the clients are acquisitive, but are stagnant when a client is concentrating on organic growth.

Thus, for example, Arthur Andersen benefited from WPP's acquisition spree (which took it from being a manufacturer of wire shopping baskets to being one of the world's largest advertising groups), and audit fees from that client galloped up from £201,000 three years ago to £1.37m last year, accounting for 10 per cent of the firm's total audit fees from quoted clients.

By contrast, fees from BICC, the cables and construction company which happens to be something of a stock market favourite at present, have gone up much more modestly, from £1.7m to £1.8m over the period.

Not surprisingly, fees are under just the same pressure at the medium-sized firms. Spicer & Oppenheim's biggest quoted client is Dalgety, where the audit fee has fallen from £2m to £1.8m over the three years. One of Stoy Hayward's biggest clients is the Chrysalis Group, where the fee has fallen from £396,000 to £359,000. One of BDO Binder Hamlyn's larger clients is the Transport Development Group, where the audit fee went up undramatically from £686,000 to £748,000.

So big are the biggest firms that it is likely to be some years before they experience a dramatic deterioration in business levels. However, those firms in danger of suffering soon and hard are the medium-sized, national firms that grew so rapidly during the latter half of the 1980s that they are now as big as the erstwhile Big Eight firms were in the middle of the decade.

**Medium-sized firms are waking up to their potential troubles and restructuring**

In marketing terms, the medium-sized firms make much of their dedication to the owner-managed business sector: that is to just the entrepreneurial Thatcherite businessman who is likely to be suffering in the present economic climate.

As the firms willingly concede, fees from auditing companies belonging to those clients are less important than general business-advisory work.

Already there is evidence of a "decoupling" between the growth rates of the international firms and those of the national firms: the Big Six posted gains of between 20 per cent and 40 per cent, while those of the medium-sized firms have been much more modest. There are also signs that the medium-sized firms are waking up to their potential troubles: several have appointed managing partners to make their firms leaner, fitter and more profitable.

If this new generation of managing partners – Chris Swinson at BDO Binder Hamlyn, David McDonnell at Grant Thornton or Peter Stafford at Spicer & Oppenheim – has any difficulty in persuading their partners in far-flung offices to accept the need for management reforms, they need do no more than point to the US experience.

A survey in this month's edition of the International Accounting Bulletin shows that fee income growth among the non-Big Six firms has dwindled to a paltry average of less than 7 per cent. Pannell Kerr Forster's fees went down; Grant Thornton's inched up by 2.5 per cent; and Spicer & Oppenheim mustered 8 per cent growth.

## ACCOUNTANCY APPOINTMENTS

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Brian H Mason
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An ambitious qualified Accountant with at least 2 years post-qualification experience, and the maturity to lead a team in a commercial environment, would find this role a challenge.

Experience of Personal Computers is essential and it is desirable that you will have carried out project and investment appraisals.

In return, our remuneration package includes a salary from c. £20k plus bonus, a Company car, Private Medical Insurance and a Contributory Pension Scheme. Relocation assistance will be considered.

To apply, please telephone for an application form, or write to: Mrs [illegible] Atkinson, Personnel Department, British Fuels Limited, Cawood House, Otley Road, Harrogate HG3 1RE. Telephone (0423) 725421.

BFL

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The group is a plc with turnover in excess of £100 million which has achieved outstanding growth and profits through capital investment and diversification and is actively pursuing further expansion, both organic and by acquisition.

The Financial Controller will co-ordinate all group financial and accounting matters, develop and maintain standards throughout the business and be involved in investigation of growth areas including acquisitions.

Candidates, male or female, age early/middle 30s, must be qualified accountants, ideally but not necessarily FCA. They must have had some years' post-qualification experience in manufacturing industry, will probably by now have reached Chief Accountant/Controller level in a sizeable operating company and must have computer experience.

Initial salary negotiable around £30,000 plus bonus; benefits include car, private health insurance and relocation help if needed to Yorkshire base.

Please write – in confidence – with full career details to D. A. Ravenscroft.

*Ravenscroft & Partners*
Search and Selection
20 Albert Square, Manchester M2 5PE

# Financial Director (Advertising Agency)

**Central London** **£40,000 + bonus + car**

Our client, a successful and rapidly growing advertising agency with billings in excess of £10m which prides itself on the quality of its work and personal service, is looking to recruit a competent, commercially aware accountant to the position of Financial Director.

Reporting to the Managing Director the position will manage the financial, computing and secretarial activities, and ensure that control systems are implemented to provide a cost effective and commercially orientated service for the smooth running of the Agency. As part of the senior management team the Financial Director will be expected to provide advice on business planning and profitability.

Candidates for the post should be qualified accountants aged 27-40, ideally graduates, with a minimum of three years experience in a marketing/trading/service industry environment. Experience of modern computer techniques and small/medium sized organisations is essential. A background in the advertising sector, while not mandatory, would prove beneficial.

A competitive salary, bonus and benefits package is offered to include, after one year's service, a share option scheme.

Applicants should write in confidence enclosing a comprehensive curriculum vitae with salary history and quoting reference 565 to:

Peter Childs, Director
Pannell Kerr Forster Associates
New Garden House
78 Hatton Garden
London EC1N 8JA

Pannell Kerr Forster Associates
MANAGEMENT CONSULTANTS

# Finance Director

*A board level challenge with Britain's leading independent health services provider*

*£45k to £50k*
*+ incentive bonus, quality car and valuable benefits*
*Central London*

BUPA Health Services, the leading independent provider of health services in the UK, is a wholly owned subsidiary of BUPA. Our board presides over a progressive, expanding organisation which embraces hospitals, health assessment centres, homes for the elderly, nursing agencies and occupational health services. Altogether more than 100 profit centres generating a turnover approaching £200 million.

An internal promotion means that a place on that board is now open for a new Finance Director who is also the Company Secretary. This is a rare opportunity for a proven achiever to play a central role in the dynamic, ongoing development and growth of the company through the 90's.

Ideally FCA, but possibly FCMA or FCCA, you'll be given financial control, commercial management and company secretarial responsibilities as well as ample opportunity to contribute to the company's strategic and policy development at a time when we intend to realise the enormous potential of our expanded portfolio of businesses in this increasingly competitive but growing market. Your track record should demonstrate impressive achievements at senior level in large, decentralized, entrepreneurial organisations, probably in the service sector, where your commercial vision, interpersonal skills and man-management ability have all been strongly in evidence. Ideally aged mid 30's to mid 40's you are now at the point where you need a fresh, long-term challenge at the level your talents deserve.

The rewards on offer reflect the importance we place on this post: an incentive bonus scheme, wide choice of quality car, an excellent pension scheme, life cover, family BUPA, permanent health insurance, and health assessment for you and your spouse.

If you feel you have the credentials to play a major part in our future, please write with your cv to: Mrs S.C. Ellen, Managing Director, BUPA Health Services, Dolphyn Court, Great Turnstile, Lincoln's Inn Fields, London WC1V 7JU.

BUPA Health Services

LORNAMEAD
INTERNATIONAL MARKETING AND FINANCE

## FINANCIAL CONTROLLER

**SE1** **c£30,000+CAR & BENEFITS**

Lornamead, a worldwide marketing and finance company with a "blue chip" client base, now seeks a qualified financial controller. Whilst being capable of assuming full responsibility for all accounting/treasury matters, you must demonstrate an entrepreneurial flair, and be able to input considerably to the strategic planning of the most dynamic operater in its sector. Ideally aged late 20's–mid 30's, the successful candidate should demonstrate a first class track record, preferably within a related industry.

For further information contact:
Accountancy Personnel,
15 Eastcheap,
London EC3M 1BU
Tel: 01-626 0666

Buzzacott
CHARTERED ACCOUNTANTS

## TRUST SENIOR
CITY

Medium sized firm of chartered accountants are seeking a young Trust Senior with at least 3 years experience with a firm of chartered accountants.

Candidates should be computer literate and capable of taking charge of a portfolio of high net worth clients and reporting directly to partners. Prospects exist for promotion within the firm and study support is available.

For further information contact:
Accountancy Personnel,
35-44 Moorgate,
London EC2R 6EL
Tel: 01-628 6525

CONFIDENTIAL

## CORPORATE FINANCE

**EC2** **c£25,000+BENEFITS+BONUS**

Major US investment bank currently require ambitious qualified chartered accountant or MBA to join their corporate finance team. With involvement in mergers and acquisitions, this demanding role will require extensive analytical ability, strong interpersonal skills, creative flair plus the ability to work under pressure and to tight deadlines. Rapid career progression plus generous performance related bonus. REF. KM/5107.

For further information contact:
Accountancy Personnel,
70 Watling St.,
Cheapside EC4M 4DD
Tel: 01-236 0857

BBC

## HEAD OF ACCOUNTING SERVICES

**Central London** **c£30,000+**

The Engineering Directorate of the BBC which currently employs some 2,500 staff and is responsible for an expenditure budget of £300m p.a., requires a qualified accountant to fill one or two jobs responsible to the Chief Accountant.

The job involves managing some 40 staff who provide a comprehensive range of financial services includes preparation of both operating and capital budgets, expenditure control and recovery systems and management accounts.

Applicants should be qualified accountants with experience of staff administration and motivation who are creative and adaptable to change.

THE BBC IS AN EQUAL OPPORTUNITIES EMPLOYER

For further information contact:
Accountancy Personnel,
79 New Bond St.,
London W1Y 9DB
Tel: 01-493 3813

Accountancy Personnel
*You don't just count you matter*
Hays
A HAYS PERSONNEL SERVICES LIMITED COMPANY

## FINANCIAL CONTROLLER/DIRECTOR DESIGNATE NORTH WEST ENGLAND

**£25,000 + CAR**

Our client, Cavelle Data Systems is an exciting, forward thinking company which specialises in the supply of a wide range of computing equipment. They also operate a thriving business in many other computer related areas.

Cavelle's innovatory and entrepreneurial approach has resulted in extremely impressive growth and they are currently on target to treble their turnover to £25 million this year. They are now amongst the leading European suppliers of technology.

The company's worldwide headquarters are in Cheshire and offer superb motorway and rail links from most areas in the North West. Rapid overseas development has now taken place, including a joint venture with the Soviet Union.

The successful candidate will be a newly/recently qualified ACA, aged 25 to 32. You will be commercially aware, ambitious and articulate. Adaptability is extremely important as the vitality of the company necessitates involvement in the day to day running of the company and involvement in a more sophisticated role related to the future growth of the company.

Prospects are superb and proven capability and commitment to the business will result in a Financial Director role within the year.

The motivated ACA with a desire to take up this challenge should ring HOWARD KEENEY on 01 287 3391 or alternatively should write to him at FIRST ACCOUNTANCY, PREMIER HOUSE, 77 OXFORD STREET, LONDON, W1R 1RB quoting reference number HK/5255.

CAVELLE
DATA SYSTEMS

# Portfolio

## FINANCIAL CONTROLLER
Central London
£35,000+car

- Number One Position
- Wide Ranging Role

A lively qualified Accountant is required by this young, growth company to oversee the accounts department and to get involved with general strategy issues. There will be some systems implementation work within the Head Office and the subsidiaries.

Given the company's record of success, the prospects are excellent and this role acts as Finance Director Designate.

Please contact LIZ OSBORNE on 01-836 9501.
Ref: FT22390/A

## TRAVEL COMPANY
Sussex £30,000+car

- High Profile Group
- Young Company

A small but growing travel company, which is part of a well known leisure group requires a Financial Controller to manage the accounting function.

The role requires a strong staff manager and team motivator who will enjoy the commercial aspects of this fast moving industry.

Please contact [illegible] SHERRY on 01-836 9501 or write enclosing CV to our London address.
Ref: FT22390/B

## FINANCIAL PLANNING MANAGER
Surrey £28,000+car

- Growth Environment
- Small Team
- Commercial Exposure

This rapidly expanding manufacturing/retail company now seeks a Financial Planning Manager. The role will involve all budgeting, forecasting, performance related analysis and variances. It is a proactive role and will ideally suit either ACCA/ACMA with an FMCG background.

Please contact DENISE ENGLAND on 01-836 9501.
Ref: FT22390/C

## AUDIT MANAGER
London c. £35,000+car

- Fast Track Promotion
- Attractive Sector
- High Profile Group

A top quality British plc is seeking an Audit Manager to spend a year on risk projects for the Group and then move into a senior line role. Suitable candidates will be Big 8 trained ACA's at Manager level in the profession with a bright, flexible style and a high level of ambition.

Promotion prospects are proven and exciting.

Please telephone PIPPA CURTIS on 01-836 9501.
Ref: FT22390/D

## FINANCIAL CONTROLLER
WC1
c. £30,000+F/E car+bens

- Professional Environment
- Senior Management Position
- Commercial Role

This vacancy, with a top 30 public practice firm, has arisen as a result of the impressive growth of the practice and its operations. The position will provide input to divisional and corporate planning for the provision of financial services to clients.

The successful incumbent will be a qualified accountant with 3 years PQE, possessing staff management ability and hands on computer experience.

Please contact MARK JONES on 01-836 9501.
Ref: FT22390/E

## MANAGEMENT CONSULTANT
ACA/ACMA/ACCA/IPFA
London from £28,000+car

- Multidisciplined groups
- Exposure to all business sectors
- Commitment to management training

This leading Accounting and Consulting Services organisation requires a number of exceptional graduate accountants with demonstrable continuous achievement in their careers. Aged 26-32, suitable candidates will have 3-7 years' post-qualification experience within Public Practice or Industry/Commerce.

Please send a full CV to COLIN VASEY at Douglas Llambias Consultancy Services, 410 Strand, London WC2R 0NS, or call him on 01-836 9501 (01-446 7800 outside office hours).
Ref: FT22390/F

DOUGLAS LLAMBIAS

20 YEARS
PUTTING THE RIGHT PEOPLE IN THE RIGHT JOBS
Douglas Llambias Associates, FREEPOST, 410 Strand, London WC2R 0NS.

# Finance Director

## Hampshire Coast

## to £40,000 + Substantial Bonus + Car

Our client is a fast moving, acquisitive and growth orientated leisure company which through its aggressive marketing policies and strong management team has achieved a leading position within its market sector. This company is a key subsidiary, t/o c£70m, of a highly regarded plc which is actively pursuing the creation of new and exciting business opportunities throughout Europe.

A Finance Director is now sought to play a key role in the Executive team developing the business and will be responsible for the provision of full financial and management information which will contribute to effective commercial decision making. Reporting to the Managing Director and heading a team of twenty staff, additional responsibilities will encompass strategic and planning issues making use of the company's sophisticated computer systems.

The successful candidate will be a qualified accountant, aged late 20's/early 30's, with a background of high achievement. Business flair coupled with strong communication skills and a pro-active nature are vital as this is a highly commercial role having strong liaison with the other disciplines in the organisation.

This is an excellent opportunity to join a lively, fast-pace organisation with excellent career prospects.

Please telephone or write enclosing a full curriculum vitae quoting ref: 411 to:

Philip Cartwright FCMA,
97 Jermyn Street,
London SW1Y 6JE
Tel: 01-839 4572

Cartwright Hopkins

FINANCIAL SELECTION AND SEARCH

# FINANCIAL CONTROLLER

## A new role in a growing, acquisitive company

### North London — £30–35,000 + car + benefits

The UK subsidiary of an internationally renowned European group, our client manufactures and markets a broad range of chemical products for both consumer and industrial markets. Recent rapid expansion and anticipated future growth, both organically and through acquisition, have created the need to review and improve its existing financial systems through the appointment of a Financial Controller.

The emphasis will focus on the establishment of an effective treasury management function and the development of the current financial accounting systems. The appointee will be expected to make a significant contribution to the business, and to assume broad supervisory responsibility.

Applicants should be qualified accountants with several years' experience in the manufacturing/wholesale sector, gained either in industry or through large-scale audits. A knowledge of treasury management, in-depth financial accounting experience and computer literacy are essential. Prospective candidates must demonstrate the senior management potential, commercial acumen and flexibility of approach necessary to fulfil a key role within a fast moving, constantly changing environment.

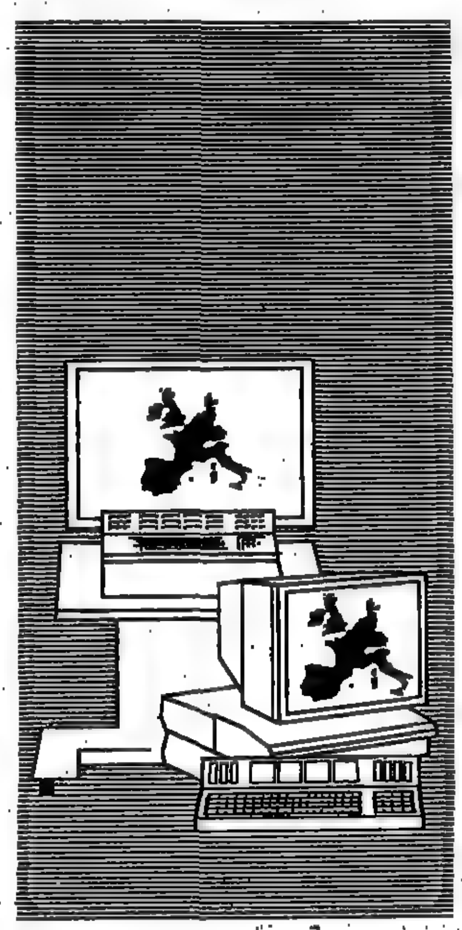
Please write, in confidence, with full career and salary details, to Tim Knight, quoting reference H6270.

KPMG Peat Marwick Selection & Search
70 Fleet Street, London EC4Y 1EU.

# BUSINESS OPERATIONS MANAGER

## EASTERN BLOC & MIDDLE EAST.

**Based in The Netherlands.**



Intergraph are one of the largest and most successful specialist computer companies in the world – one of the market leaders in the design and manufacture of interactive computer graphics systems. Our CAD/CAM/CAE *systems are used in applications as diverse as mechanical design,* plant design, mapping, architecture and energy exploration.

The opening up of Eastern Europe, coupled with our rapid expansion in the Middle East, has created an unrivalled opportunity for a professional, experienced and ambitious individual to manage our increasing market in these areas.

Qualified to CPA/MBA level or equivalent, you have 10-12 years' experience in corporate accounting, fluency in English and German, and a desire to work within a dynamic and fast-growing company.

Reporting to the Vice President, European Business Operations, your responsibilities will include US and local country financial reporting; tax planning; contract negotiations and order administration; business development; human resources, and administrative M.I.S.

You must also have the ability to create excellent working relationships at all levels, and with a range of nationalities, plus the initiative to formulate and implement ideas and strategies.

There will be substantial travel throughout Europe and the Middle East, an attractive salary and benefits package, and the chance to play a vital role in the future success of Intergraph.

**Please send your letter of application and current c.v. to:**
**Mr A. E. Waringa, Human Resources Director,**
**Intergraph European Manufacturing B.V., PO Box 333,**
**2130 AH Hoofddorp, The Netherlands.**
**Telephone: 010-31-2503 66451.**

INTERGRAPH

# European Line Management

## City Base

## Excellent Salary + Bonus, Car, Mortgage Subsidy

Bankers Trust company has an International reputation for excellence as a Global Merchant Bank. An innovative and flexible approach has been the basis of their success, particularly within the Derivative Products Arena. Expansion of the European Equity Derivative Operations has led to the creation of this new role.

The position carries responsibility for the quality of operations in Frankfurt, Paris and New York, coupled with a strong input into the strategic development of the business.

Bankers Trust Company

The role is wide ranging, covering all aspects of business support including management information reporting, costs accounting, valuations, risk credit and systems development, and will involve extensive liaison with these groups in London. However, the focus is as much about future development, as managing day to day issues.

This is an outstanding opportunity to develop a wide range of skills and the scope to demonstrate tangible added value to the business. The position will require frequent travel to European offices, and the ability to communicate in either German or French will be a distinct advantage.

The individual we seek will be a self motivated high achiever, aged 27-35, with strong influence and management skills and preferably a knowledge of Equity Derivative Products.

Interested candidates based in London or other European financial centres, should send a full curriculum vitae including current salary details, *quoting reference* 303, *to*
Diane Forrester ACA, Executive Division,
Michael Page Finance,
39-41 Parker Street,
London WC2B 5LH or
telephone 01-831 2000.

MP
Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

# FINANCE DIRECTOR

## Milton Keynes, FCAs 35-45, package negotiable to c. £75,000

Our client is a "top 20" firm of chartered accountants and is seeking to appoint a Finance Director, a key member of its new "corporate team", to lead the practice into the 1990s.

Reporting to the newly appointed Managing Director, key responsibilities in this role include overall responsibility for all finance areas, including: cash flow projections, taxation, VAT, computerised systems development, fees consolidation, management accounts by office and nationally, annual and long term budgets, overhead control, credit control, salary administration, partnership accounting, pension administration, car scheme administration, treasury function and internal audit.

Candidates (male or female) should have Finance Director level experience, ideally but not necessarily in a "people business" environment. The appointee will have salaried partner status initially and may move on to full equity partner status in due course. If necessary, a generous relocation package will be offered.

If you wish to be considered, please submit a detailed c.v. to Bruce Page CA, or George Ormrod BA (Oxon), at Douglas Llambias Associates, 410 Strand, London WC2R 0NS, quoting ref. no. FT22390.

DLA DOUGLAS LLAMBIAS

20 YEARS
PUTTING THE RIGHT PEOPLE IN THE RIGHT JOBS

Douglas Llambias Associates, 410 Strand, London WC2R 0NS.
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# Financial Controller

### North West — £28,000 + car + benefits

Our client is an engineering based original equipment manufacturer with a reputation for quality and reliability. Well-established and with a turnover of £11m, it is entering a significant period of change to enhance efficiency and increase market share.

Reporting to the Managing Director, the Financial Controller will be responsible for the full range of financial and management accounting activities, including company secretarial services. Key tasks will be to improve costing systems, extend the use of computerised controls, monitor cost reduction and provide relevant, up-to-date information to the management team. The person appointed will play a vital part in driving through the business strategy, making a creative contribution to the decision making process and interpreting results.

Candidates should be qualified accountants with an extensive knowledge of costing, computer systems and budgetary control, acquired in a production environment. They should be able to bring well-developed analytical and communication skills, complemented by a target-oriented style of man-management and an energetic approach to improving organisational effectiveness.

The attractive salary and benefits package includes fully-expensed car, health insurance, non-contributory pension and relocation expenses.

Please reply in confidence, quoting reference number R187 to Derran Sewell, Ernst & Young Search and Selection, Lowry House, 17 Marble Street, Manchester M2 3AW.

Ernst & Young

SEARCH AND SELECTION

Opportunity to gain Pan-European experience in a dynamic environment

# Manager – Operational Review

### HOLLAND
**(European languages not necessary)**

**£30-35,000**
**+ Executive Car**
**+ Generous Relocation**

Our client is the highly successful European arm of one of the world's leading transportation groups. With operations throughout Europe, rapid expansion has been achieved through an aggressive programme of acquisition and highly focused organic growth. A strong management style and innovative business approach will continue to maintain the organisation's lead position in the run-up to 1992.

An exciting and challenging opportunity has arisen for an ambitious professionally qualified manager.

Key responsibilities include:

- Managing, motivating and co-ordinating a young team of professionals within the highly operational Internal Audit Function.
- Providing financial and commercial support to all levels of management throughout the group.
- As a key member of the Head Office Management Team you will participate in top level decision making.
- Managing and performing a range of business projects of an operational and strategic nature.

The role is based in Holland and will involve up to 30% travel throughout Europe.

Aged 28 to 33, you will be a professionally qualified, ambitious and high achieving individual with the ability to communicate effectively at all levels. Previous internal audit experience would be preferred, though a project-based industrial background or exceptional candidates making a first move from practice may be considered. Knowledge of a European language would be an advantage but not essential.

This is a high profile role and progression within the group into Senior Finance roles will be encouraged.

**For an initial discussion please call Elizabeth Lang at Financial Selection Services on 01-387 5400 (out of hours 01-733 2674) or write enclosing a curriculum vitae to** ***Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN.***

financial SELECTION SERVICES

*Key Input into Operational and Business Development*

# FINANCE DIRECTOR

Central Essex

Age 28+

Package up to £40K

+car, etc.

Our client is a leader in the niche markets that it significantly developed, both nationally and internationally, during the 1980's. Its expansion plans and subsequent restructuring for the 1990's, have resulted in the development of greater autonomy for its largest subsidiary (turnover approaching £25m). This subsidiary now requires a Finance Director. The key responsibilities will include:

- Full financial control and reporting.
- Business planning and control of operational efficiency.
- Man management and development (14 staff — 3 professionally qualified).
- Provision of strong financial input into the local management team.

Initially reporting to, and working closely with, the Group Finance Director you must clearly demonstrate the following:

- An ability to look at the Business at an overview level and be actively involved in medium and long-range planning.
- Good interpersonal and communication skills.
- An ability to grow and develop the role in a rapidly expanding and changing environment.
- A desire to travel internationally on certain occasions.

The client's plans may well include the opportunity for you to develop into general management, as has been the case with previous Senior Managers within the organisation.

**If you feel that you have the potential to add value to this challenging situation please contact Karen Wilson on 01-491 3431 or write to her at FMS, 14 Cork Street, LONDON W1X 1PF enclosing a recent CV and a note of current salary.**

FMS
FINANCIAL MANAGEMENT SEARCH AND SELECTION SPECIALISTS

# Finance Director

## London

## c£40,000 + Car + Bonus + S/Opts

This major Division (t/o £20m) of an acquisitive medium sized UK plc is involved in the photographic sector. The Group's strategic direction has been effective in producing strong growth.

In addition to having accountability for the effective operation of the finance function, the successful candidate will be expected to contribute to the strategic growth of the Division and therefore must be able to demonstrate broad commercial skills.

This is a very hands-on assignment initially. Key areas of responsibility will involve the development of existing computerisation, ensuring the maintenance of tight financial controls and evaluating future growth opportunities both in the UK and internationally.

Candidates should be qualified accountants, age indicator 35-40, ambitious, with proven interpersonal skills, commercial experience and strong personality preferably gained in a distribution or f.m.c.g. environment.

The future prospects within this dynamic organisation are exceptional and extend beyond the financial area.

Please telephone or write enclosing a full curriculum vitae quoting ref: 412 to:

Nigel Hopkins FCA,
97 Jermyn Street,
London SW1Y 6JE
Tel: 01-839 4572

Cartwright Hopkins

FINANCIAL SELECTION AND SEARCH

# TAX ANALYST

*A growing influence in oil & gas operations throughout Europe.*

*Attractive Package*
*Surrey*

Our client is a highly successful subsidiary of one of the world's largest oil groups. The company has substantial operations worldwide and has active exploration and development programmes in key sectors of the North Sea and Europe.

As a Tax Analyst, you will be fully involved with their European tax affairs. Specific tasks will revolve around pure taxation including Corporation Tax and PRT as well as some financial planning and forecasting.

Probably a part-qualified/qualified accountant, you will need experience in oil taxation. Ideally in your twenties to early thirties, you will be a good communicator with strong analytical and organisational abilities. You will have a high level of personal motivation and commitment which will enable you to take full advantage of the opportunities presented by this role.

The company offers a highly competitive salary and benefits package with excellent prospects in a stimulating environment.

In the first instance, please forward full career, personal and salary details to Steve Gardner, Stafford Long & Partners Recruitment Limited, 17-19 Foley Street, London W1P 7LH. Tel: 01-255 3200. Please quote reference 5318.

Stafford Long & PARTNERS

# Group Financial Controller

## Financial Services

£40,000 + Bonus — West End

**Fast growing entrepreneurial publicly quoted company seeks a young, ambitious financial professional to play a key role in restructuring and further expansion.**

**THE COMPANY**
- A young innovative financial services group with ambitious plans.
- Corporate growth and promotion creates this very attractive management opportunity.
- Turnover currently over £7.5m, highly profitable, fast growing.

**THE POSITION**
- Responsible for group and subsidiary financial control and management information in a stimulating, fast moving environment.
- Contribute to strategic direction of the group following reorganisation.
- Acting as Group Company Secretary and Compliance Officer.

**QUALIFICATIONS**
- Graduate, qualified accountant, aged early 30's.
- Ideally experienced in accounting, consultancy or financial services.
- *Ambitious, energetic with good interpersonal skills.*

**COMPENSATION**
- Attractive base salary, car, bonus and stock options potential.
- Prospects of early promotion to Group Financial Director.

Please write enclosing full cv, Ref J1145
54, Jermyn Street, London, SW1Y 6LX

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LEISURE INDUSTRY

# FINANCIAL ACCOUNTANT

c. £25,000 + CAR + BENEFITS — HERTS

Granada Entertainments is at the forefront of leisure developments with many such highly successful concepts as Ten Pin Bowling Centres, Nightclubs, Café Bars and Theme Parks. From our new corporate Headquarters in St Albans, we service the complex financial needs of our many UK businesses.

To assist in this, we are now seeking an experienced Financial Accountant to play a key role in the development of our centrally co-ordinated accounting function. Reporting to the Financial Director, and deputising when necessary, your primary focus will be supervision of the day-to-day running of the department and production of both management and financial accounts.

This is very much a role for a proactive individual with strong technical ability and significant multi-site experience, ideally gained within the leisure, retail or hospitality sectors. As a key mover in effecting the smooth introduction of our new AS400 accounts system, a degree of computer literacy and a background in systems implementation would be an advantage.

Of Graduate calibre, you will need senior supervisory skills and excellent communicative abilities. Professionalism, flexibility and the ability to thrive in a time-driven environment will be pre-requisites for success.

Salary is in line with the importance of this role and is supported by generous benefits including car. To apply, telephone Sandy Brooks, Personnel Manager, on (0727) 875700 or write to him, enclosing full career details, at Granada Entertainments Ltd, Park House, Frogmore, Park Street, St Albans, Herts. AL2 2RH.

Granada Entertainments Actively Pursues A Policy Of Equal Opportunity.

GRANADA ENTERTAINMENTS

A MEMBER OF GRANADA GROUP PLC

# FINANCIAL CONTROLLER

£25,000 – £30,000 + Car + Benefits

South Yorkshire

A rare opportunity has arisen to join an autonomous subsidiary of a major privately owned International Group producing specialist metals and chemicals. The company has a successful profitable track record with turnover exceeding £100 million of which £70 million is exported. Further expansion is planned both organically and through acquisitions.

Reporting to the Finance Director, the Financial Controller's responsibilities will include the management of the Finance Department, financial reporting, currency exposure and treasury management, systems development, credit management and investigative projects.

As there will be no compromise on the quality of individual sought, candidates should be graduate ACA/ACMA/ACCA, aged 28 +, able to demonstrate a progressive career within a related manufacturing environment. Commercial and managerial acumen combined with sound analytical and interpersonal skills are absolutely essential.

The remuneration package will be commensurate with that of a large company and will include relocation expenses where appropriate.

Please apply directly to Bill Barkworth at Robert Half, Freepost, Gresham House, 7 St. Paul's Street, Leeds LS1 2XQ. Telephone: 0532 428978, or evenings on 0742 463722. Alternatively, fax your details on 0532 421938.

Financial Recruitment Specialists
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RH ROBERT HALF LEEDS

# Group Chief Accountant

## Opportunity for ambitious accountant to develop a career internationally

**CENTRAL LONDON**

**£35 – 40,000 Plus Benefits**

This oil field services group operates in more than 100 countries worldwide and has revenues in excess of $4.9 billion. A world leader, this dynamic quoted company now needs a Group Accountant for its European Operations based in London.

Reporting to the Group Controller Europe, you will be responsible for all accounting matters – producing timely and accurate information for local management and regional headquarters. Managing a staff of eight you will be involved in budgeting, financial analysis together with various accounting responsibilities for the European divisions. Some travel will be necessary.

Aged 28-33 years, you must be;
- a qualified accountant with high professional standards
- committed to embark upon an international career
- able to work closely with management both at head office and in "the field"
- practical with a "hands on" approach and proven supervisory ability

*Language ability would be advantageous. For the achievers, promotional opportunities are available within 24 months. This promotion is likely to be within an operating division overseas.*

Interested candidates should write in confidence to: Nicholson International (acting consultants), 142 Buckingham Palace Road, London SW1W 9TR quoting reference 9101, or fax details on 01-823 6835 or call directly on 01-730 8910 for an intial discussion.

NICHOLSON INTERNATIONAL

# *Finance Director*

***Industrial Capital Equipment***

***Plymouth, Devon,***

***c £30,000, Car, Benefits***

The company is a £15m subsidiary of a highly successful billion pound British PLC with international manufacturing and engineering interests.

It manufactures electro-mechanical and electronic capital equipment with many of its products established as market *leaders in home and overseas markets.*

The technical expertise and commitment to new product development puts the company in a commanding position to increase its already dominant market share.

The responsibilities are to take charge of the full range of financial and company secretarial duties with substantial input into corporate planning.

Great emphasis is placed on the adherence to monthly and quarterly reporting procedures to the parent company, with additional accountability for the formulation of regular reports on profit projections, cash flow forecasts and internal reviews.

You would be given ample scope to work closely with manufacturing and sales and to make a considerable contribution to the wider commercial aspects of the business.

Candidates, likely to be aged 32-45, should be qualified as an accountant, with a proven background in all aspects of financial management in a manufacturing company.

Strong commercial acumen and highly evident interpersonal skills are also necessary to assure maximum job satisfaction and first class career prospects.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, *J.W. Conchie*, Hoggett Bowers plc, *George V Place, 4 Thames Avenue*, WINDSOR, *SL4 1QP*, 0753-850851, Fax: 0753-853339, *quoting Ref: W20025/FT.*

***Hoggett Bowers***

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, ST ALBANS, SHEFFIELD, WINDSOR and EUROPE

# Finance Director

**World leader in micro-electronics**
**c. £60,000**
**NW Kent**

The world leader in its field, our client operates in one of the fastest growing sectors of the international micro-electronics industry. With two manufacturing plants and sales/marketing/design centres across Europe, the company is well placed for the opportunities of 1992. The right person for this appointment will have high personal stature, maintain contacts with bankers in several European countries and bring a strong individual contribution to the group's professional management team.

The Finance Director will be an executive board member and have financial responsibility for the total European operation. As well as being responsible for financial strategies, the person appointed will be expected to stimulate initiatives in the creation of systems for maintaining control and ensuring rapid response in a multi-national business environment.

Candidates, 35-50 years of age, will preferably be Chartered Accountants with experience in the high-technology manufacturing sector, will be familiar with international tax and have held an equivalent or deputy position in a significant international group.

In addition to salary, benefits will include stock options, stock purchase plan, an executive car, pension scheme and private health insurance.

Applications will be forwarded direct to our client. Please list those organisations to whom your details should not be submitted. Candidates interested should write enclosing a full C.V. and salary history, quoting reference ESD/390F to Nick Kelly at:

**Executive Selection Division**
**Price Waterhouse**
**Management Consultants**
**Thames Court**
**1 Victoria Street**
**Windsor SL4 1HB.**

*Price Waterhouse*

# European Treasurer

**Thames Valley** **c£55,000 + Car**

Our client is a world leader in its field of electronics and communications, with revenues in excess of $10bn, a significant portion of which is generated in Europe. The European Head Office provides corporate support to all European manufacturing and sales operations.

This newly created role will provide specialist expertise in cash and currency exposure management, with emphasis on the optimisation of financial resourcing for all European subsidiaries. Key responsibilities will include the management of banking relationships, controlling international cash flows to maximise the advantages of foreign exchange and interest rate differentials and providing financial support for major investment proposals and new business ventures. There will be significant liaison, both with operating subsidiary financial management and with US Corporate Treasury.

Candidates, aged up to 45, should be treasury professionals, with a minimum of four years' experience in an international treasury operation. The successful candidate will work with a small central team and must become a focal point for European financial management. Excellent communications skills and a definitive "hands on" approach are essential in this context.

Comprehensive relocation facilities are available where appropriate and interested applicants should write, quoting ref. 2622, to **Alan Dickinson ACMA, Executive Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH, (Tel: 01-831 2000).**

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

# Financial Controller

**Woking, Surrey** **c£35,000 + Car + Bens. + Reloc.**

This UK subsidiary of a highly successful major multinational operates at the leading edge of technology in the manufacture and marketing of medical diagnostic products.

Following rapid expansion, Serono Diagnostics UK is now the major Research and Development centre for the Group's entire Diagnostics Division, and its export achievements have been recognised by a Queen's Award.

Serono DIAGNOSTICS

An exceptional opportunity has arisen for a Financial Controller to assume total responsibility for the accounting and finance function. Reporting to the Finance Director, specific responsibilities will include overseeing the preparation of management, financial and statutory accounts, playing a key role in the development of plans, budgets and forecasts, taxation and treasury matters, cost and project planning as well as company secretarial matters.

The successful candidate will be a computer-literate qualified accountant, aged 28-35 with several years PQE in the Hi-Tech sector, ideally in a US reporting role. Previous exposure to R&D environments would be advantageous. Essential personal qualities will include strong interpersonal skills, a high level of commercial acumen and the drive and ambition to succeed within a multinational organisation.

Interested candidates should submit their CV's to **Sajid Baloch MBA at Michael Page Finance, Cygnet House, 45-47 High Street, Leatherhead, Surrey KT22 8AG or telephone him on 0372 375661, Fax 0372 370101.**

Michael Page Finance
International Recruitment Consultants

# General Manager
# Finance Planning and Control
## New International Role

**Spanish speaker**
**c£55,000 + benefits**
**Central London**

Agipcoal SpA, part of the ENI Group, has established a new London based company with the mission to develop a profitable international coal business as a major coal producer and trader, with a mix of direct ownership, joint venture, and investments. Starting from a base of current interests in the USA, Australia, South Africa and Latin America this is an exciting opportunity to be involved in a period of major growth and development.

Reporting to the C.E.O. with a functional reporting line to the Group Finance Director in Milan, the role carries responsibility for ensuring the sound financial management of both subsidiaries and joint ventures in addition to international financial strategy and planning, banking relationships, treasury management and tax planning. There will be significant emphasis on acquisition planning, *valuation, funding and integration.*

Candidates should be qualified Accountants aged 35+ with broad based senior financial experience, preferably gained in an international environment. International joint venture and acquisition experience from initial investigation to successful negotiation would be especially useful, as would prior experience in the mining or energy business. A Spanish speaker is preferred for continuation and development of Latin America interests.

Those wishing to discuss this position in confidence may telephone Janet Stockton on 01-334 5743. CVs *(which will be discussed directly with our client)*, quoting reference J/1034 should be sent to her at:
**Executive Selection Division**
**Price Waterhouse**
**Management Consultants**
**No. 1 London Bridge**
**London SE1 9QL.**

*Price Waterhouse*

# FINANCIAL CONTROLLER – MILAN

**CIMA/ACA/CACA** **Age 24-30** **LIT.80 Million (£40,000) + Exceptional Benefits**

This $3 billion turnover US hi tech corporation is seeking to strengthen it's Italian operations through this new appointment.

Based within a tightly knit local management team this key individual will be responsible for providing all financial information along with relevant analysis to the European Financial Controller based in Belgium.

As the most senior finance person within the Italian operation, local management will seek your advice on a broad range of issues concerning the general management of the company.

Knowledge of working in this country would be an advantage, however the companies external advisors will be on hand to assist with the taxation and other external regulatory bodies.

Outstanding opportunities for advancement exist within the organisation's other worldwide subsidiaries or through transfers into group functions.

Interested candidates should write enclosing details to the address below or telephone Richard Parnell or Jacques Police for additional details on 01-437 0464, alternatively fax brief details on 01-437 0597.

ROBERT • WALTERS • ASSOCIATES
RECRUITMENT CONSULTANTS
Queens House 1 Leicester Place London WC2H 7BP
Telephone: 01-437 0464

# FINANCIAL SYSTEMS CONSULTANCY IN THE MIDLANDS

Increasingly, organisations are introducing packaged-based solutions to satisfy their financial and management information needs. However, in many cases, the necessary in-house skills and resources to select and implement the packages are either not available, or key people cannot be released from their day to day duties.

In recognition of this situation, KPMG Peat Marwick McLintock established a specialist group to assist clients in all aspects of package introduction. In view of the group's ambitious growth plans, we are now seeking to recruit two additional specialists to join the team.

We are looking for qualified Accountants who have direct experience of implementing packaged-based financial systems in either mini or mainframe environments, and who have a background in the private or public sector. The ability to work with minimum supervision and to deal with all levels of management on equal terms is essential.

The successful candidates will join a fast developing group that is part of a National network, providing opportunities for working in many diverse industry sectors, either individually or as part of multi-disciplinary teams. Opportunity for personal advancement and career development is excellent and is supported by our extensive training programme.

Based in our Birmingham office, we are offering a highly competitive salary package including a company car and BUPA.

If you are interested in joining our team, write in confidence, enclosing a CV, to Brian Henderson, Large Systems Implementation Group.

KPMG Peat Marwick Management Consultants
Peat House, 2 Cornwall Street, Birmingham B3 2DL

*Ambitious Finance Professionals*

# *WHY WE OFFER YOUNG ACCOUNTANTS A HIGHER RETURN ON THEIR INVESTMENT.*

*to £25,000 + financial-sector package*

As a recently qualified accountant — possibly making your mark with one of the big-name accountancy firms — you've already invested a lot of time and energy in developing your professional expertise. For you, Prudential Portfolio Managers — one of the leading fund managers in the UK — is opening up a rare avenue into the challenging and rewarding arena of investment management.

You will handle central finance responsibilities for a number of key businesses within PPM, spanning fund management and venture capital, as well as our offshore management businesses. An unusual level of autonomy, early exposure to senior management and the sheer diversity of the role combine to make this an excellent platform for career development. The bias will be towards financial accounting, although there is also an important management accounting component; supported by a small team, you will produce monthly management information, quarterly returns, statutory accounts and IMRO reports.

Mental agility and initiative will be key assets; you must be able to establish immediate professional credibility with senior management.

Salary will be supported by a range of financial-sector benefits including subsidised mortgage scheme and non-contributory pension scheme.

Please send your full cv to Sally Brierley, PSPPM, Prudential Portfolio Managers Limited, 1 Stephen Street, London W1P 2AP. Tel: 01-548 3013.

*A member of IMRO*

PRUDENTIAL
Prudential Portfolio Managers Limited

# Finance Director Designate

**Cambridge Area** **To £35,000 + car + benefits**

As a result of a strategic business review, our client, a profitable, £10m t/o food processing and distribution company is entering a period of rapid growth and diversification both organically and by acquisition. They now seek to appoint a Finance Director Designate who will be a key individual in this process.

The successful applicant will be fully responsible for the financial affairs of the company. Major challenges will include strategic corporate development, internal reorganisation, the introduction of a new MIS and management of the company's financing requirements.

This position calls for a qualified accountant *(ideally Chartered)* aged mid-late 30's. The successful candidate will be of high calibre with a hands-on approach, excellent business and interpersonal skills and the flexibility to thrive on change.

The long term prospects are first class and the remuneration package will be comprehensive and structured according to age and experience. There will be significant scope for participation in the company's success in the future.

Interested applicants should send, in complete confidence, a detailed curriculum vitae including current salary and daytime telephone number to Phillip Price ACA, quoting reference LM801 at Spicers Executive *Selection*. Leda House, Station Road, Cambridge CB1 2RN. Tel (0223) 460222.

SPICERS EXECUTIVE SELECTION
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

# MANAGEMENT ACCOUNTANT

**M4 CORRIDOR** **Generous Salary and Benefits + Car**

A prestigious and highly successful commercial property development company wishes to recruit a newly qualified accountant with up to two years post qualification experience. Reporting to the F.D. responsibilities will include:

- Day to day running of the accounting function of the holding company.
- Production of statutory accounts.
- Liaison with and control of associated companies, joint ventures and partnerships.
- Development of accounting and management systems.
- Participation in the commercial running of the company.
- Assisting the F.D. with corporate finance work, treasury management, evaluation and acquisition of new developments.

The successful candidate will be self-motivated, have drive, ambition, good communication, problem solving and decision making skills, together with a strong, outgoing personality.

This is a rare and excellent opportunity to work with a young and dynamic management team within a fast growing and progressive company.

Written applications together with a detailed CV, including current salary, are invited from candidates who want to join a company which offers excellent rewards for commitment and results and where career development and promotion prospects are second to none.

Please write in the first instance to Monty Grigg, quoting Ref TR10 at:

Haines Watts Recruitment Services,
Stanhope House,
110 Drury Lane,
London WC2B 5ST.

## Outstanding prospects for a young, ambitious
# FINANCIAL CONTROLLER

**North West** — **Salary of £25,000 + car + benefits**

An exciting opportunity exists to join a young and dynamic management team. Success of the company to date has been achieved through the rapid development of its services. The company has a turnover in excess of £2.5m, and enjoys a significant market share.

Reporting to the Group Managing Director the role combines hands-on responsibility for all financial, management accounting and computer related activities, along with contribution to the planned strategic development of this innovative business.

Candidates should be qualified accountants, with experience in dealing with contracting and project work gained in a fast moving environment. You will be ambitious, assertive and energetic with good interpersonal and communication skills. You will be looking for an opportunity to be involved in a fast-moving and exciting company where your career will grow with the success of the business.

Please write in confidence with career and salary details to Hilary Campbell, quoting ref HC/926.

KPMG Peat Marwick Selection and Search
7 Tib Lane, Manchester M2 6DS

# ACCOUNTING MANAGER

***Contribute to a major international business.***

**c.£32k + benefits.** — **Maidenhead, Berks.**

Mars Inc. is a privately owned multinational corporation with over 50 companies operating in 26 countries. Information Services International is one of these companies, with a mission to support other Mars companies throughout the world by providing computer systems that enable them to gain a competitive business edge.

Our need is for an energetic and pro-active accountant with up to two years' post-qualification experience to provide wide ranging financial information for our management team, support line managers in their individual financial responsibilities and feed-back information on company performance. This will involve identifying and highlighting trends and using such information to improve the decision-making process. You will also be responsible for consolidating internal financial reports to Mars Inc.

Your principal areas of accountability are accounting, reporting and business planning and so you must have the vision to retain the "big picture" whilst dealing with small details, the strong work ethic to produce results against tight deadlines and changing priorities, and the potential to progress into a more senior financial role.

For a hardworking, bright individual, this challenge offers international exposure and a salary around £32,000pa plus valuable benefits including non-contributory pension, life assurance and medical cover.

Please telephone or send your c.v. to
Alan Goodenough, Egor Executive Selection,
58 St. James's Street, London SW1A 1LD.
Tel: 01-629 8070.

Closing date for applications is 5th April 1990.

*Information Services International*
*A Division of EFFEM Management Services Ltd*

# *Financial Controller With Director Potential*

***West Yorkshire, c £30,000, Car, Benefits***

This new role is seen as the key to the company's management succession plan. It offers scope for full involvement in the commercial activities of the business, whilst taking responsibility for the financial function, supported by a professional team. Turnover of this management owned company has rapidly grown to approach £20m. It manufactures, markets and sells to industrial and commercial establishments a highly sought after range of quality products. Aged 30-45 and ACA qualified, candidates will have demonstrable track records in providing and interpreting accurate, computerised financial and management information. This could have been gained in a variety of environments but experience in manufacturing and predominantly marketing and sales driven companies would be a distinct advantage. Enthusiasm, energy and ambition will be sought in high calibre candidates. In return, a negotiable salary package will not be a limiting factor.

*K.R. Miller, Ref: L16121/FT.* Male or female candidates should telephone in confidence for a Personal History Form, 0532-448661, Fax: 0532-444401, Hoggett Bowers plc, *7 Lisbon Square*, LEEDS, *LS1 4LZ.*

***Hoggett Bowers***

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, ST ALBANS, SHEFFIELD, WINDSOR and EUROPE

# FINANCIAL CONTROLLERS

**Birmingham, Bristol, Cambridge, Cardiff, Edinburgh, Hastings, Leeds, London, Manchester, and Reading.**

**c.£38,500 Package (Negotiable)**

A nationwide organisation; providing a wide range of design, project and maintenance management and estate surveying services, has recently been reorganised and requires qualified accountants in its offices throughout the UK.

Each financial controller will be a key member of the office management team reporting to the locally-based director in charge.

The offices, which have turnovers ranging from approximately £10m to £40m, are undergoing a programme of systems development changes to enable greater local financial control and accountability. Candidates will therefore play a key role in introducing and operating the new systems as well as providing a contribution to the commercial strategy for the offices.

Motivation, self-confidence and interpersonal skills will all be characteristics required to enable successful candidates to operate in this changing and challenging environment. Applicants should have had similar experience of working in the same capacity within organisations of a similar size.

Applicants should write, enclosing a detailed CV indicating current salary and preferred location(s), to David Sutcliffe, Executive Selection Division, (Ref: FIN/C), Price Waterhouse, No 1 London Bridge, London SE1 9QL.

**PARTCO**

# GROUP FINANCIAL ACCOUNTANT

**South Midlands** — **Attractive Negotiable Salary + Car + Benefits**

Partco Group is the largest UK wholesale distributor of automotive accessories and equipment, supplying a very extensive, high quality product range to meet the day to day requirements of the vehicle repairer/owner. The Group wholesales its products from 240 branches nationwide, and supplies a wide portfolio of independent retailers. They have enjoyed rapid, impressive growth and are firmly committed to retain market leadership through continued dedication to customer service, application of professional standards in all areas of their business, development of new product ranges, and investment in high calibre personnel and facilities. In line with this strategy, the Group Financial Director now seeks to appoint a Group Financial Accountant.

The Group Financial Accountant will be required to undertake, on behalf of the group holding company, all routine work associated with: consolidated financial, management and statutory accounting; treasury management; payroll administration; and company secretarial duties. This being done, the wider brief will be to assist the Group Financial Director in the monitoring of resources; in the development of systems and procedures appropriate for the growing business; and in maximising the contribution of financial management to business planning, operational control and profit performance.

Success in this wide reaching role will be dependent on significant "hands-on" involvement, the ability to apply a detailed, critical, pro-active approach to routines and systems, strong orientation towards achieving results and translating plans into action, and enthusiasm for supporting team-work and contributing to the strategic decision-making process.

Applications are invited from first-rate, recently qualified, young Accountants keen to make a decisive move in the early stages of their career and be involved in the growth of a business. Other necessary skills and personal characteristics include: maturity; energy; commitment; tenacity; effective communication and interpersonal ability; and commercial awareness.

In return the Group offers interesting and exciting work, a highly competitive salary and benefits package, and excellent long term career prospects.

Interested candidates should apply in writing, with full career history and salary details, quoting reference B/272/90, to Alison Belfort.

KPMG Peat Marwick Selection
Peat House, 2 Cornwall Street, Birmingham B3 2DL

# International Controller

**Paris** — **c FF 300,000 + Bonus**

Our client is a dynamic, French-based, £multi-billion international company and has shown remarkable growth, both organically and by acquisition. Currently it employs more than 30,000 people in over 100 countries. It is engaged in the research, manufacture and distribution of a range of diverse market leading products, ranging from brand name pharmaceuticals and perfumes to essential food additives and health products.

A desire to internationalise and develop its structure has created an outstanding opportunity at corporate headquarters for an International Controller. The position would control the Northern European business of its pharmaceutical division, involving close liaison with subsidiaries. Areas of responsibility would include: providing financial analyses and support; contributing to the preparation of forecast and corporate plans; advising on strategic developments and policy.

Candidates should be qualified Accountants, ideally graduates, who can demonstrate a high level of achievement and commitment, and possess the necessary skills to operate at senior levels. An ability to communicate in French would be a distinct advantage and candidates should ideally be single, as the job involves frequent travel. Opportunities within this international group are excellent.

Interested applicants should write to Sandy Bell at Michael Page International, Clarendon House, 81 Mosley Street, Manchester M2 3LQ, or telephone him on 061-228 0396, quoting Ref: 11060.

MP
Michael Page International
International Recruitment Consultants
London Amsterdam Eindhoven Brussels Antwerp Paris Lyon Sydney Melbourne

**Rohan**

# FINANCIAL CONTROLLER

**MILTON KEYNES** — **c£27,500 + car + bonus**

Rohan Designs is a successful, focussed retail and mail order company with an outstanding reputation for the production of high quality garments for outdoor and travel wear. The company is an autonomous part of the C. & J. Clark group which includes other well known names such as K Shoes and Ravel. Significant further growth is planned during the next few years from a well established trading base.

Reporting to the Managing Director, the Financial Controller will be a key member of a highly motivated management team with full control over the day-to-day running of the finance function. Specific responsibilities will include the preparation of all financial reports, budgets, forecasts, the formulation of strategic plans and the further development of fully integrated computer based systems.

Candidates for this varied and challenging role will be young, self-motivated accountants (ACA, CIMA, ACCA) able to demonstrate strong interpersonal skills, commercial awareness and a practical approach to problem solving. Previous experience gained within a retail environment would be advantageous.

The salary package will incorporate a quality company car, profit sharing bonus, full relocation expenses where necessary, health care cover and pension benefit. Prospects for further career advancement within Rohan and the C. & J. Clark group are excellent.

**Applicants should contact Rod Shaw on (0602) 500959 or write to him at Shaw & Gollings, Premier House, 15 Wheelergate, Nottingham NG1 2NA.**

SHAW & GOLLINGS
FINANCIAL MANAGEMENT SELECTION

# Finance Director

**Subsidiary of Expanding Plc** — **Package to £40,000 + BMW**

Our client is a highly successful and expanding quoted company operating in the service industry. They have an exceptional profit record and have acquisition/joint venture plans both in the UK and internationally. They are now seeking a high calibre Finance Director for their major subsidiary.

Reporting to the Managing Director and liaising with the Board of the Holding Company, you will lead a small team responsible for the accounting and financial control of the subsidiary company. Key tasks will include the timely production of financial and management information, budgeting, capital expenditure control, systems development and enhancement.

Candidates should be qualified accountants of graduate calibre, probably aged 30 to 35, with a strong commercial awareness preferably gained with a major profit orientated company. Good computer skills and an ability to take a 'hands on' approach are further requirements for this key position. In addition you must be highly motivated with strong leadership and man-management abilities and be able to demonstrate first class technical and interpersonal skills.

The position, based in West Yorkshire, carries an excellent benefits package which reflects the importance of this key appointment. This is a high profile role and there is significant career development potential.

If you are interested, please telephone Graham Marlow or Stuart Adamson FCA on 0532 451212 or send your CV, in confidence, quoting reference number 712, to Adamson & Partners Ltd, 10 Lisbon Square, Leeds LS1 4LY. Fax number 0532 420802.

ADAMSON & PARTNERS LTD.
**Executive Search and Selection**

# International Finance Director

## In excess of £50,000 + Car

## M4 Corridor

This is a £1 billion International Group which is one of the world leaders in a very fast moving international service business. The Group operates over 200 offices in 6 continents, has a lead in systems infrastructure and is gaining market share by organic growth in addition to selected acquisitions.

International promotion has created a requirement for a Finance Director to join a small top management team which is committed to high service standards – to the customer and within the organisation – and to a range of corporate programmes to enhance further the Group's worldwide standing and profitability.

The Finance Director will be responsible for top level financial advice and guidance at the centre and all aspects of financial management and control through a central team of accountants and indirectly through financial managers located in all parts of the globe.

A professional accounting qualification is mandatory, together with management experience in a fast moving, high volume, low margin international or multinational service industry. Strong leadership and management skills and empathy with a multinational working environment are essential. There will be a requirement for periodic travel of short duration.

Please apply in confidence quoting Ref. L450 to:–

Brian H Mason
Mason & Nurse Associates
1 Lancaster Place, Strand,
London WC2E 7EB.
Tel: 01-240 7805

Mason & Nurse
Selection & Search

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# PQE

## OXFORD c24,000 + Car

### Management Accountant

Rapid expansion by this £20m t/o division of a well-known major leisure services group has created this opening for a highly motivatived individual to take control of its management accounts function (Lotus-based) and supervise five staff. Make your mark in a fast-moving, results-orientated environment! Ref: 44LJFP3

**Contact the Branch Manager at 138 High Street, Oxford 0865 794797**
**Or our PQE Specialists at 76 Cannon Street EC4 01-489 9997**

## N.LONDON £25,000 + Car

### Accountant

Technically sound with an eye for detail, this well-known construction multinational needs you to install a new costing system for one of its fifteen subsidiaries. The company is the market leader in computer design of buildings and offers excellent prospects in the UK and overseas. Ref: 76151B5

***Contact the Branch Manager at 310 Station Road, Harrow 01-427 0799***
**Or our PQE Specialists at 76 Cannon Street EC4 01-489 9997**

## FELTHAM c£25,000 + Car

### Management Accountant

The Group Financial Controller of this specialist systems manufacturer has an excellent opportunity for you to make your first move and acquire 'hands on' commercial experience. In the areas of monthly management reporting, financial accounting and control of a sophisticated computerised system. Ref: 14LJF103

**Contact the Branch Manager at 22 The Centre, Feltham 01-844 0431**
**Or our PQE Specialists at 76 Cannon Street, EC4 01-489 9997**

## LONDON SE1 £25,000

### Financial Reporting Accountant

This prestigious, service-based organisation is looking for a Qualified Accountant to supervise three staff in the preparation of monthly financial accounts and also financial and statistical data. The group comprises a number of businesses and divisions and as such career prospects are unlimited. Ref: 18133A

**Contact or our PQE Specialists at 76 Cannon Street EC4 01-489 9997**
**Tel: 01 489 9997**

## SURREY c£25,000 +

### Financial Controller

With the future possibility of a Directorship, this newly created position for an instantly recognisable pension administration company could be your opportunity to excel. Supervising a small team, you will present financial and management accounts to the board. Benefits include a fully expensed car and bonus scheme. Ref: 01174

**Contact the Branch Manager at 23 High Street, Epsom 0372 745020**
**Or our PQE Specialists at 76 Cannon Street EC4 01-489 9997**

## CITY c£27,000 + M.sub

### Accounts Controller

Managing a strong team, your wide-ranging brief includes running/developing a mainframe model line package, the production of group and subsidiaries' year-end accounts and technical/project development. This top-flight financial institution affords benefits such as share participation, profit share, 25 days' holiday and free lunches. Ref: 23133A6

**Contact the Branch Manager at 192 Bishopsgate EC2 01-283 3761**
**Or our PQE Specialists at 76 Cannon Street EC4 01-489 9997**

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on 01-489 9997 NOW!

REED...
*accountancy*

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# Regional Financial Controller

**West Midlands** — **c.£35,000 + bonus + car**

This substantial £600m turnover, UK based manufacturing group has a strong international presence with operations in over thirty countries. The group is firmly committed to growth through continued investment, research and development and recruitment of high calibre skilled personnel at all levels.

Working closely with regional and local management, you will provide a wide ranging financial control service to a number of UK and overseas subsidiaries. Duties will include the key areas of performance appraisal, budget monitoring, ensuring the adequacy and effectiveness of control systems and undertaking various ad hoc projects.

You will be a qualified accountant in your mid 30's – strong in financial management whilst commercial in business outlook. Practical experience will have been gained at managerial level in a manufacturing environment. Previous exposure to international operations would be a distinct advantage. Drive, enthusiasm and a flexible approach are essential, as is the willingness to travel and work away from home. Opportunities will exist for further career development and progression.

Please apply in confidence to Stephen Bailey, quoting Ref. F1001B at Ernst & Young Search and Selection, PO Box 1, 3 Colmore Row, Birmingham. B3 2DB.

Ernst & Young

SEARCH AND SELECTION

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# Chief Financial Officer

**£50k plus bonus, car and stock options**
**near Slough, Berkshire**

Our client is a US based, $1.5 billion turnover international systems integration corporation. The clear world market leader in its business, it sells, services, and supports micro-computer and workstation products from leading manufacturers.

A strong, commercially minded and business orientated Chief Financial Officer is now sought to assist in driving forward the very fast growing UK subsidiary which will this year have a turnover exceeding £100 million.

As a Board director, you will work closely with the UK MD, but there will also be a strong line to the CFO of the US parent. The role carries total responsibility for the financial, MIS and administrative functions, including legal and human resources.

Tough minded, self-motivated and committed, you will be uncomprising in your desire to meet deadlines and achieve objectives. Although strong on numbers and mentally agile, you should primarily see yourself as a hands-on, commercial business manager with the drive, ambition and enthusiasm to be fully involved in the overall management of the business. A clear leaning towards IT with proven spreadsheet literacy; a rigorous discipline of producing meaningful information; and a readiness to "get involved" are other attributes sought.

A qualified accountant, probably aged 35-45, with some previous international exposure would be useful, particularly within a large sales/service based business. Linguistic ability, especially German and/or French would also be an asset. Critical, however, will be exposure to an environment such as distribution or retail involving a large customer base and complex pricing structures.

The rewards for the successful CFO will be a very high profile within this multinational, and a remuneration package including stock options appropriate for the high calibre individual required to fill this role. Most of all, however, you will be one of the key executives responsible for guiding and controlling the rapid expansion of the UK business.

To pursue this further, either telephone Hamish Davidson, or write quoting reference H/1035 enclosing a full CV and salary details.

**Executive Selection Division**
**Price Waterhouse**
**Management Consultants**
**No. 1 London Bridge**
**London SE1 9QL**
**Tel: 01-334 5833**
**Fax: 01-403 5265.**

*Price Waterhouse*

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# *Financial Director*

**c. £30k + Bonus & Car** — **Mid Kent**

The 1990's promises to be an exciting period of continuous expansion for this international manufacturing Group, turnover £40M.

The largest, most profitable Division, employing 400 people requires a Financial Director following the promotion of the present encumbent to a Group position.

Reporting to the Divisional Managing Director, you will have overall responsibility for the Financial, Administration and Systems functions, with a team of 24 staff. In addition to the financial reporting requirements, you will be expected to further enhance the management information systems where the Company has recently invested £200K in a major computerisation upgrade.

Candidates must be qualified accountants, probably aged around 35-45, with a well developed business acumen, strong management skills and with the definite 'hands on' approach and drive to contribute to the continued projected profitable growth. Relevant experience with a record of achievement in a medium sized engineering/contracting environment is a pre-requisite.

This is a challenging opportunity to make a major impact in a key role as part of a successful and committed management team.

Terms of employment are highly competitive and include a substantial performance-based bonus, plus a range of other benefits including BUPA and relocation assistance, where appropriate.

*If you are interested in this position, please send without delay a full c.v. quoting ref. AR/6046 to: Fred Littlewood, March Consulting Group, March House, 13 Park Street, Windsor, Berkshire SL4 1LU. Tel: (0753) 869346.*

MARCH

**March Consulting Group**
Manchester Windsor Coventry Edinburgh

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# CHIEF ACCOUNTANT

**Mitcham Surrey** — **c £28,000 + car**

Our client is a market leader in specialist transport services that has experienced a period of dynamic growth. As a result the Board has decided to create a completely new position within the Accounting Department reporting directly to the Financial Diector with responsibility for management accounting, project evaluations, cash flow forecasts etc.

The successful applicant will be a qualified accountant aged 30-40 with considerable commercial experience, computer literacy and an aptitude in creating financial models and reports.

An ability to work under pressure, set and meet tign time schedules together with high man management skills are necessities for this challenging and rewarding position.

Please send your c.v.

**D.F. Brown, Fraser & Russell, Albany House,**
**120 Station Road, Redhill, Surrey RH1 1ET**

Fraser & Russell
*Chartered Accountants*

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Matthews & Goodman

# Project Accountant

## UK and Europe

**City** — **c.£25,000 + Car**

Our client, Matthews and Goodman, is a well established firm of Chartered Surveyors who have recently acquired a firm of Retail Property Consultants with offices in Milan, Madrid and Paris. In anticipation to meet future growth and development, both in the UK and Europe, they have identified the need for a Project Accountant.

Reporting directly to the Partnership Secretary, the Project Accountant will be responsible for various aspects of financial and cost control within the UK and Europe. The role will require the tenacity to become involved in a variety of interesting ad hoc projects both in the UK and abroad.

Candidates must be *fully qualified Accountants* and a graduate would be preferred. An enthusiastic and energetic approach is essential, combined with the ability to provide a direct contribution to the success of the firm. Ideally aged between 25 and 32, interested candidates should send a full curriculum vitae including current salary and a daytime telephone number to Carol Jardine, Spicers Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP quoting reference LM205.

SPICERS EXECUTIVE SELECTION
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

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# Cost Accounting Manager

**West London** — **c.£26,500 + car**

Our client, a major international cosmetics manufacturing company, wishes to appoint a young qualified accountant (CIMA) with 3-5 years factory accounting experience for this new position. Reporting to the Financial Controller for UK and Europe, the successful candidate will be heading a team of five and be responsible for the full costing function of a factory with a £20 million output.

General manufacturing business background, wide experience of detailed standard project costing and appreciation of inventory management techniques are essential qualifications for this job. The position offers the opportunity for excellent career progression, as well as all the benefits normally associated with a prestigious multinational company.

Please send brief personal and career details quoting reference F/100/K to Suzanna Karoly, Ernst & Young Search and Selection, 21 Conduit Street, London W1R 9TB.

Ernst & Young

SEARCH AND SELECTION

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# FINANCIAL CONTROLLER

An international company require an ambitious enthusiatic person to take full control of all financial operations in the UK subsidiary.

In addition to some formal accounting qualification, the successful applicant will also have creative business acumen and be able to advise on the financial implications of management policy.

Salary negotiable 22-26k plus car and benefits.
For application forms and further information
telephone Lesley Payne 0707 373388 or write to:

**Dickens Hazell and Associates Ltd**
2 Bedford Square, London WC1B 3RA

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# Appointments Advertising

Appears every Wednesday and Thursday.
(Friday International Edition only).
For further information please call:
**01-873 3000**

Jennifer Hudson ext 3607 — Richard Huggins ext 3460
Sarah Gabe ext 3199 — Stewart Maddock ext 3392

# Managing Director

Europe's leading name in their specialised industrial plant sector, my client's plant rental subsidiary has sales in excess of £15m with excellent profits and return on capital. With future development strategy identified, this company is well placed to exploit its strong market position.

Career development of the existing Managing Director within the parent group has created this opportunity. Your role will focus on further improving financial performance and increasing market share. Success will pivot upon your ability to develop systems and controls, interpret market trends and exploit commercial opportunities.

Probably in your 30's, you will be a qualified accountant with board level experience in an engineering environment where financial and marketing disciplines are central to success. Additionally, your proven management and persuasion skills will ensure your ability to lead a small and committed team whilst also achieving personal credibility within a large sophisticated results orientated group.

*In the first instance please write to* **Tony Clarke**, enclosing full CV and quoting ref. **MD2429**, at **Macmillan Davies Consultants, Salisbury House, Bluecoats, Hertford, Herts. SG14 1PU. Tel: (0992) 552552.**

**c. £35,000 + car**

**Hampshire**

*Macmillan Davies*

MANAGEMENT SELECTION

# Finance & Commercial Director

**South Cheshire** **c.£38,000 + car**

As a major division of a multi-national organsiation, our client is a £50 million turnover designer and manufacturer of electronic control products and systems. They currently wish to appoint a qualified accountant to play an integral role in developing the Company's business acitvities.

Working as part of the Senior Management team, reporting to the Managing Director, your key responsibilites will be to implement and develop a new information system and oversee the financial function. In addition you will ensure that all commercial undertakings are both viable and in compliance with statutory requirements; a knowledge of export procedures could be an advantage.

You will be an innovative self-starter, currently holding a Senior Management position, preferably within a hi-tech environment. Having a proven track record of achievements, you will now be looking to progress your career in a demanding and highly competitive market.

*The position carries an attractive salary and benefits package, together with prestige car and generous relocation assistance, where appropriate.*

**In the first instance please send a full career profile, indicating current salary and daytime telphone number to: Adele Brook, Manager,**

*Robert Armstrong & Company*

**Management Selection Consultants**

No. 2, St. John Street, Manchester M3 4BX.
Telephone: 061-236 0541. Fax 061-833 1845.
Also at Liverpool 051-236 4688 and Birmingham 021-233 4588.

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SOUTH YORKSHIRE c.£30,000+BONUS+CAR

# Financial Controller

For a £45 million turnover private company in the service sector. The company is a market leader in its field and is about to enter an exciting stage in its development.

They now seek to recruit a Financial Controller to assume responsibility for the accounting function of some 30 staff. In addition to day to day financial management, you will have a key role to play in the development and implementation of financial planning and budgetary control systems and procedures.

Probably aged 28-40, you will be a qualified accountant with excellent management and communication skills. You will possess a high degree of commercial acumen coupled with the necessary enthusiasm and commitment to make a positive contribution to the profitable development of the company.

Please write enclosing your curriculum vitae and a day time telephone number, giving an indication of your present salary to Angela McDermottroe, Coopers & Lybrand Deloitte Executive Resourcing, Albion Court, 5 Albion Place, Leeds, LS1 6JP quoting reference 219AM.

Coopers & Lybrand Deloitte Executive Resourcing

Coopers & Lybrand Deloitte is the business name used by Coopers & Lybrand and Deloitte Haskins & Sells in the UK. The two firms are to merge on 29 April 1990.

# FINANCE DIRECTOR

Midlands c £28k + car

**Rapid expansion at this fully autonomous subsidiary of an extremely profitable and fast-growing international group necessitates the appointment of a highly competent qualified accountant.**

**Aged around 30 you will be technically strong, capable of taking the lead in all matters financial and contributing positively to the commercial development and success of the company.**

**Candidates should display strong man management abilities whilst having the capacity to integrate into the senior management team. Integrity, the ability to confront and solve problems, commercially aware, good communications skills and a willingness to try out innovative ideas are keynote attributes which will be required of the chosen individual. Experience within the paper industry is preferable and exposure to systems development - both financial and costing - is essential.**

**Please write in confidence, enclosing a full CV quoting reference L/1019 to David Adrian.**

KPMG Peat Marwick Selection & Search

**City Square House, 7 Wellington Street, Leeds LS1 4DW.**

UNDERGROUND

# Head of Internal Audit

## A greater degree of influence – A greater degree of success

Like any business, London Underground sees a strong, independent audit group as an invaluable source of advice. But for a company which intends to improve every aspect of its operations, unbiased recommendations aren't enough.

We need action. We need a Head of Internal Audit who can apply sound commercial experience to question our business practice, examine the rationale behind it, show us how to change for the better—and see that it is done.

Board level contacts, a direct reporting line to the Financial Director and a functional link to the Group Audit Director indicate the degree of responsibility you will have. The future could bring yet more. Success in this post will prove excellent preparation for London Regional Transport's most senior financial management roles.

A Chartered Accountant or IPFA with at least 5 years' post qualification experience, you may well join us from a large accountancy practice. Commercial experience is essential and you'll also need the ability to manage and motivate your 30 strong team.

In addition to a salary c.£40,000 and company car, you will enjoy an excellent range of benefits.

Please write, enclosing your CV and daytime telephone number, to Trevor Austin, Personnel Services Manager, London Underground Limited, 55 Broadway, London SW1H 0BD.

**STUDYING? PART QUALIFIED? FINALIST ? QUALIFIED?**

# We'd like to welcome you to Gatwick...

# ACCOUNTANCY CAREER FAIR

**GATWICK HILTON INTERNATIONAL**
**THURSDAY MARCH 29th 1990 4.30-9.00 pm**

This is your opportunity for you to consider your next career move with members of the business community who will be represented at the Career Fair.
For more details call Gill Noble on Crawley (0293) 551861.

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Accountancy Personnel

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# CHIEF ACCOUNTANT

**COMPUTER PERIPHERALS**
**SALARY TO £24,000 PLUS BONUS**
**OXFORD BASED**

| | |
|---|---|
| **The Company** | The UK's leading distributor of high performance computer peripherals with a superb track record of maintaining fast growth and high profitability. Specialising in the supply of data storage devices to major computer manufacturers and systems integrators, they have, in 3 years since formation, created a reputation for supplying market leading products combined with excellent support services. |
| **The Opportunity** | To take full responsibility for the financial function of two of the three companies within the group. The brief will be wide ranging in a fast moving environment and include shirt sleeve transaction processing, budgeting/forecasting, reporting and financial control and extending to professional and shareholder relationships. |
| **Your Background** | Aged 27-40, you will be used to working under tight time constraints for financial reporting combined with managing all aspects of the accounting function of a fast-growing business. Hands-on working with stock control functions is essential. You will be ambitious, dedicated and self motivated and seeking an opportunity to make a major contribution to a company's ongoing success. Computer industry experience is not essential, but familiarity with networked accounting systems would be an asset. |

***For further information and initial interview,* please write in confidence to Paul Griffin at PGA Executive Search and Selection, 3 Lake End Court, Taplow Road, Taplow, Maidenhead, Berkshire, SL6 0JQ, enclosing career summary. Fax 0628 668051.**

PGA EXECUTIVE SEARCH & SELECTION

# CHIEF ACCOUNTANT

**N.W. KENT** **to £25,000 p.a.**

Our client operates at the leading edge of technology and has evolved, through innovative design and manufacture, as a major supplier of telecommunication products within the fast-expanding international marketplace.

Reporting to the Financial Director, the Chief Accountant will manage and co-ordinate a department of six and have overall responsibility for the accounting function. Particular emphasis will be placed on the implementation and control of a standard costing system and the continued development of computerisation.

This is a broad ranging financial role, demanding drive and commitment and a shirt-sleeves approach. Candidates should be ICMA qualified, with the experience and commercial awareness to make a significant contribution at senior level.

**Full C.V.s should be sent to Sherliker Stuart, 21 Mercer Street, Covent Garden, London, WC2H 9QR. 01-497.3585/6.**

***SHERLIKER STUART***
Consultants in Executive Selection & Human Resources

# ACCOUNTANT

**City Motors - Oxford**

**Age: 28-40 £30,000 plus + Car + Benefits**

Chiltern Motors Company is a division of the highly successful Appleyard Group PLC. Recent years have seen the Group implement an aggressive business development programme, with strong internal growth allied to a number of strategic acquisitions.

We now wish to appoint a high calibre accountant to strengthen the management team at City Motors (Oxford). Reporting to the General Manager and with the support of a well motivated and experienced team, the accountant will control the financial reporting and administration function for this £26 million turnover General Motors dealership.

Responsible for a department of 5, you will be expected to develop the effectiveness of the function in achieving tight deadlines. You will also be encouraged to take an active role in the commercial aspects of the overall business and to contribute to the improvement of performance and profitability.

You should be fully qualified, ideally with a retail/service background, have an energetic business approach with considerable drive and enthusiasm. Opportunities for advancement within the Group are excellent. In return we offer an excellent basic salary, achievable bonus, *car and other benefits associated with a large progressive organisation.*

Please write with details of present salary and career to date to: Mr. E. Zoratti, Divisional Finance Director, Chiltern Motor Company Limited, The Roundabout, Woodstock Road, Oxford OX2 8LA.

Appleyard

**SAUDI ARABIA**

KPMG ***AL-AMRI***
**Public Accountants & Consultants**

## SENIORS - MANAGERS POSITIONS AVAILABLE

U.K. or U.S.A. Chartered Accountants are required with the following experience:

1) Recent experience with professional international firms;
2) Several years post qualification experience are preferable;
3) Computer audit knowledge and experience are required.

Please send your application enclosing your detailed C.V. and a recent photo to:

**KPMG Al-Amri, Personnel Manager**
**P.O. Box 784 Jeddah 21421,**
**Saudi Arabia**
**Fax No. 966-2-669 5468**